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Mr. Chairman and esteemed committee members, I would first like to express my appreciation for the opportunity to appear before you to discuss the future of the strategic partnership and alliance between the United States and Japan.

The U.S.-Japan alliance is at an unprecedented level of strength in the 21st century. Prime Minister Shinzo Abe's reelection in December 2012 marked an end to a politically unstable five year period with five different prime ministers in Japan. His reelection in 2014 demonstrated his position of strength as Japan's premier leader equipped with support to push through policy agendas. PM Abe's emphasis on reforming the domestic economy and strengthening the U.S.-Japan alliance and regional security efforts have all helped to re-establish Japan as a strong and stable U.S. ally.

Thus far, 2015 has been a very important and productive year for U.S.-Japan relations. In April, the two sides agreed on new Guidelines for U.S.-Japan Defense Cooperation for the first time in 18 years, a major step forward in defense partnership. In addition, the ratification of the Trans-Pacific Partnership (TPP) seems much more likely following the passage of Trade Promotion Authority (TPA) in Congress in June, and President Obama signing the bill into law on June 29. The conclusion of TPP negotiations will benefit both nations economically and strategically.

Despite the positive state of U.S.-Japan relations, the alliance faces challenges as well, particularly the rise of a more assertive People's Republic of China (PRC), and its ongoing efforts to drive a wedge into the alliance. The U.S. and Japan must focus on the long-term sustainability of the alliance in the months and years ahead and continue to actively address issues of common interest.

Review of Recent Events

In April 2015, Japanese Prime Minister Shinzo Abe completed an historic visit to Washington which included a private meeting with President Obama and featured a high-profiled speech to the Joint Session of Congress by PM Abe. His address centered on the transition of the U.S. and Japan from bitter enemies in World War II to strong allies dedicated to the ideals of freedom, democracy, and the rule of law. He emphasized that the TPP is indeed rooted in these principles,

and will bring both economic prosperity to the Pacific region and provide substantial security benefits to the alliance. PM Abe voiced his support for the United States' "pivot" to Asia, and the importance of strengthening ties to ASEAN members as well as other allies and TPP participants such as Australia. Perhaps most importantly, he laid out guidelines for the "state of Asian waters," namely that all parties act in accordance with international law and resolve disputes peacefully without the use of coercion.

The White House also released a Joint Vision Statement in accordance with PM Abe's visit, outlining the alliance's shared goals in both the Western Pacific region and worldwide. The statement echoed many of PM Abe's statements during his visit. The U.S.-Japan alliance must continue as the "cornerstone of peace and security" in the region and ensure adherence to a rules-based international order that is beneficial to all involved nations. As the two largest potential TPP economies, the U.S. and Japan is counted upon as leaders in completing the agreement in a timely manner, which will create jobs and lead to higher wages in member countries.

Apart from the TPP, the prosperity and security of the U.S. and Japan will be inexorably intertwined in the coming decades. Japan is the U.S.' fourth largest trading and export partner and most important Asian military ally. The partnership extends beyond economic and military realms to include cooperation in environmental, humanitarian and human rights issues, technological advancements, countering global extremist organizations, and ensuring cyber-security. Partnership in numerous diverse areas has been made possible by the strength of shared ideological principles between the U.S. and Japan. Joint commitment to democracy, free trade, and freedom of navigation in the Western Pacific will be particularly critical to the immediate future of the alliance.

The publication of the new Guidelines for U.S.-Japan Defense Cooperation was the final crucial result of PM Abe's visit. The Guidelines call for a "whole-of-government" approach in framing the Alliance and aim to ensure consistent interaction in national security policy-making in order to improve bilateral security and defense.

Challenges and Opportunities

Perhaps the most important challenge facing the U.S.-Japan alliance is the question of how to sustain the momentum we're experiencing. A good visit by the Prime Minister should not be squandered, and vigorous efforts to pursue implementation of agreements are key. To this end, it is critical that the TPP is completed in the U.S. and swiftly implemented, and negotiations must be concluded to ensure the inclusion of the twelve original partner countries. TPP partners accounted for 44% of total U.S. exports and a crucial 85% of agricultural exports in 2013.

In addition, the new Defense Guidelines, while undoubtedly a positive step, should be expanded and strengthened. As the Guidelines are currently written, they provide only a basic framework for the defense partnership. A more comprehensive plan for the synchronization of roles and

missions should be drafted by U.S. and Japanese defense officials in order to fill in the holes left by the Guidelines.

For Japan, long-term economic and demographic sustainability is a concern. Since 2012, Prime Minister Abe has attempted to implement a series of economic reforms, known as his “Three Arrows”. The first and second arrows, a fiscal stimulus package and a monetary easing program, were largely successful, causing substantial stock market growth. Questions remain, however, about PM Abe’s third arrow, which focuses on some of the more challenging structural reforms. For example, Japan’s agricultural sector had not been reformed for over 60 years. But in February, PM Abe was able to obtain agreement to drastically alter the nature of the Central Union of Agricultural Cooperatives (JA-Zenchu) from a government-protected semipublic “special private corporation,” to a publicly held company with limits on access to the Ministry of Agriculture, Forestry and Fisheries. Although the company will not be completely stripped of its power, it will see a more limited role in Japanese agriculture, allowing for more efficient production methods to be suggested and implemented. The corporation is likely acceding to the demands of the government in order to ensure that Japan is not left out of the TPP and the dramatic growth that the trade agreement could bring to the country. However, it is unlikely that agricultural reforms alone will be able to substantially boost the economy, as agriculture only accounts for approximately 1% of Japan’s GDP. In 2014, Japan imported more than ten times the amount it exported in agricultural products. Though dismantling JA-Zenchu’s pseudo-monopoly will not drastically alter Japan’s economy it may have opened the door for other reforms in the health-care and energy sectors, which PM Abe referenced in his speech to Congress.

Japan also suffers from demographic challenges, which could result in severe future strains on its economy. Japan is currently tied with Germany as the oldest country in the world, with a median age of 46.1 years old. By comparison, the median age in the U.S. is 37.6 and the worldwide median is 28.4. More worrisome is Japan’s below-replacement level fertility rate of 1.41 children per woman, among the world’s lowest. This combination has led to a declining population and weakened work force. The average age of Japanese farmers has skyrocketed to over 66 years of age. Unless a bold approach is taken to address these challenges, the Japanese economic recovery may not be sustainable, and will lead to a necessary budgetary increase in social safety net programs as the population age continues to rise and the population itself shrinks. More money will necessarily be funneled toward social programs while shrinkage in the workforce will lead to less revenue. In terms of the U.S.-Japan alliance, this poses the serious question of whether or not the Japanese government will be able to afford maintaining an advanced international security defensive presence in the long term.

On the U.S. side, we also have questions as to whether we have the wherewithal to sustain full commitment to an alliance with expanding vision. Defense resources have been tight since defense sequestration, and thus questions persist about our ability to fully implement the rebalance to Asia as articulated by the Obama administration. The potential drawback of forces that could come as a result of the sequester, particularly the possible reduction of naval forces in

Asian waters, would be cause for alarm among the Japanese. In addition, U.S. efforts to fully commit to the Asia pivot have been hindered by growing challenges in the Middle East, which have forced a diversion of attention and resources. In particular, the U.S. has been preoccupied with the P5+1 nuclear nonproliferation negotiations with Iran, along with leading a military air campaign in an attempt to “degrade and destroy” the so-called Islamic State (IS).

Worrisome to both nations is the unprecedented rise of the People’s Republic of China (PRC) over the past 20 years. While managing the PRC is a shared interest for the U.S. and Japan and may serve to make the alliance stronger, China is simultaneously engaged in influence operations which attempt to drive a “wedge” to divide allies. To do this the Chinese Communist Party (CCP) employs political warfare, calculated political maneuvers designed to induce another actor, in this case the Japanese or U.S. government, to bend to its will. If successful, the result could be the discrediting and thereby weakening of the alliance. The pressure that the PRC hopes to use in order to change the status quo relationship between the U.S. and Japan may seem like a relic of Cold War political strategy – but it is quite real in contemporary politics. Some in the U.S. may be tempted to accommodate China’s concerns about the trajectory of Japan and our alliance, and thus may ultimately lead to more modest goals in the alliance. The U.S. and Japan must remain vigilant not only in the operational environment, but in the realm of countering Chinese influence operations as well.

Policy Recommendations

- First and foremost, the U.S. must work to push through and finalize the TPP.
- Once completed, the U.S. and Japan should commence an early effort to expand the partnership in a second round of negotiations. The primary nations hoping for inclusion through the second round are Taiwan and South Korea, and their addition would strengthen the TPP as a whole.
- With respect to defense and security issues, U.S. and Japanese officials should begin follow-up work to the Joint Defense Guidelines. Specifically, our shared effort should be directed at renewing agreement on roles and missions, and joint planning between countries.
- In addition the U.S. should focus on expanding the scope of bilateral and multi-lateral military exercises and operations with Japan, particularly in response to the aggressive Chinese expansion efforts in the East and South China Seas.

I hope the Obama Administration and friends in Congress will share this outlook. Thank you again Mr. Chairman for the opportunity to participate in your hearing today and to offer these thoughts.