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Assistant Secretary of Defense (ISA)  
Franklin Kramer  
US-Japan Bilateral Meeting  
2 November 2000

DECLASSIFIED IN PART  
Authority: EO 13526  
Chief, Records & Declass Div, WHS  
Date: MAY 24 2011

Scope Paper

(C) In this 40th anniversary year of the 1960 U.S.-Japan Security treaty, the alliance remains the centerpiece of U.S. regional security and Japanese national security strategy.

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DOS 1.4(d)

(C) Japanese officials are telling us they desire a "strategic dialogue" with Washington that would help us formulate our joint defense postures.

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Discussions on our Quadrennial Defense Review (QDR) and Japan's Mid-Term Defense Plan (MTDP) would form a starting point for long-term discussions to deal with these kinds of questions.

DOS 1.4(d)

OSD 1.4(b),(d)

(U) Japanese popular support for the security alliance remains at all-time high levels; recent polls show that 72% of the Japanese public expect the U.S. to remain Japan's closest security partner for the next 5 - 10 years. Nonetheless, most Japanese favor reductions in the U.S. bases and operations, suggesting a lack of depth in the aforementioned popular support for the alliance. In this situation, local politicians are increasingly able to score points by opposing aspects of our presence -- e.g., training, port visits, and environmental issues -- but not the alliance itself. Over the summer, the Okinawa Prefectural Government (OPG) adopted a resolution calling for revision of the Status of Forces Agreement (SOFA) to mandate environmental restoration measures and greater access to the bases.

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As of October 30; 1400 hours

~~Classified by DASD/AP, F. C. Smith  
Reason 1.5(b and d)  
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(C) **Bilateral Meeting Objectives:**

- Use MTDP, QDR and discussions on peacekeeping, emergency laws, ship inspection laws, and roles and missions to begin a strategic dialogue.
- Exchange perspectives on developments in relations with China.
- Emphasize the relationship of trilateral activities to enhanced regional cooperation.
- Applaud JDA on the success of the five-year old forum, for Defense Authorities in the Asia Pacific.
- Deal with bilateral issues that arise, while keeping the GOJ side focused on the larger, long-term picture.

(U) **Politics:** Your meetings take place against a backdrop of deepening political fragmentation in Japan. Recent polls show only 23% popular support for the current coalition. Chief Cabinet Secretary Nakagawa resigned on October 27 for lying to the Diet about informing his mistress she was the focus of Police investigation into illegal drug use. Prime Minister Mori has also been under increasing fire recently for telling British Prime Minister Blair that he had told Pyongyang that North Korea could slide past the abductions dispute by surfacing the Japanese citizens in a third country and saying they had simply been "missing" all these years. Then he compounded the blunder by having his spokesman brief the press on the idea. Should the Nakagawa affair and this latest gaffe force Mori to resign, former Chief Cabinet Secretary Koichi Kato appears to be a likely successor. Though the ruling coalition (LDP, Komeito and New Conservative Party) holds a Lower House majority of 271 to 209 seats, and a comparable majority of 137 to 115 seats in the Upper House, there is no single majority party. Absent a change in leadership, most observers expect the LDP to fare badly in elections next summer for that half of the Upper House in which the LDP has most of its seats. Absent a dramatic swing of political fortunes, or the emergence of a dynamic political figure, we will have to deal with weak coalition governments for the foreseeable future.

(U) **Economics:** Economic recovery remains the leading concern of the Japanese public and politicians. Following two straight quarters of contraction, Japan's economy returned to positive growth of 2.5% (annualized) in the January-March period, followed by growth of 4.2% (annualized) in the April-June quarter. Notably, consumer demand, which accounts for 60 percent of Japan's GDP also grew for two straight quarters. Counteracting these positive developments, retail store sales dropped 1.5% in September from one year earlier -- the 42nd straight month of decline -- unemployment remains stuck at 4.6%, consumer confidence is sluggish, the banking sector remains saddled with bad debts, and recent corporate surveys reveal widespread downward revisions in projected earnings growth. Public sector debts of near 130% of GDP and Moody's second downgrading of GOJ debt notwithstanding, the government remains firmly committed to expansionary fiscal policies to maintain the recovery and avoid yet another backslide into recession. On August 1, the Cabinet approved use of ¥500 billion (\$4.6 billion or 0.1% of GDP) in public works reserve funds allocated under the FY2000 initial budget and on October 19 the Cabinet approved an ¥11 trillion (\$102 billion) stimulus package, roughly half of which is new money.

(U) Though the Bank of Japan ended its zero-rate policy on August 11 by raising overnight interest rates to 0.25%, monetary policy remains easy as the BOJ guards against a

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return of deflationary pressures that produced seven straight years of declines in consumer prices. Following the rise in overnight rates, prime rates have hovered in the 1.75-2.0% range, and the 10-year Japan Government bond yield has risen to 1.85%.

(C) **Mid-Term Defense Plan and Defense Budget:** The Japan Defense Agency (JDA) will issue its next five-year Mid-term Defense Plan this December. The MTDP is more analogous to our Future Years Defense Plan than to the Quadrennial Review, but it does provide some insight on JDA's strategic views. Based on discussions with JDA officials, we expect that this MTDP will continue to be based on the strategic assumptions outlined in the 1996 Defense Policy Outline. North Korea will remain the primary concern, [REDACTED]

DO5 1.4(d)

[REDACTED] The MTDP will justify the existing TMD collaboration, will recommend acquisition of additional AEGIS destroyers, and continued study of TMD requirements, but will not explicitly propose acquisition or deployment of TMD capabilities. In a political environment that does not support increases in the defense budget, JDA will emphasize several popular themes, including information technology, disaster relief, NBC and guerilla countermeasures, and confidence building measures.

(C) In the first year of the new MTDP (JFY 2001), JDA is seeking a 1.4% budget increase to ¥4.99 trillion (\$47.5 billion). This would stay just within the informal 1% of GDP ceiling on defense spending and avoid breaking the symbolic ¥5 trillion threshold. The procurement account will include ¥1.76 trillion for new equipment, including funds for initial design of new transport and maritime patrol aircraft (MPA) that will share extensive parts commonality, and funds to begin acquisition of the first of 4 mid-air refueling tankers.

(C) Though domestic pressures will force JDA to adopt an indigenous approach to its P-3C replacement, the Maritime Staff Office and the U.S. Navy have been in preliminary discussions for the last two years concerning adoption of common mission avionics in respective P-3C successors to maintain close interoperability in this field. [REDACTED]

DO5 1.4(d) OSD 1.4(b),(d)

(U) The tankers are appropriate to Japan's air defense needs, and have long been approved for release should Japan decide to buy from the U.S. However, they remain highly controversial within Japan due to perceived power projection implications, and they may once again drop out during the final budget reviews in December.

(U) **Emergency Laws:** In addition to final legislative activities to implement Defense Guidelines expected during the fall Diet session (see below), many in Japan have long noted the lack of clear legal authority to clarify responsibilities of ministries and agencies in times of national emergency. Specifically, they cite the need for legislation to amend "emergency laws" related to SDF activities, activities of U.S. forces, and measures needed to protect Japanese lives

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and property that are unrelated to the activities of the SDF or the U.S. forces. For example, Japan lacks a legal basis to give the SDF priority for supply during a crisis. Likewise, there is lack of clarity concerning the roles of the SDF, the Coast Guard and the National Police Agency for handling various border incursion measures. Though none of these items is expected to make the legislative agenda any time soon, the increasing calls for development of Emergency Laws are emblematic of the ongoing debate within Japan about the nature of a more independent and "normal" security policy.

(U) **Peacekeeping Laws:** Japan's participation in international peacekeeping remains limited by 1992 legislation to situations that meet five key principles: 1) the parties to the conflict have agreed to a cease-fire; 2) the parties to the conflict consent to the peacekeeping force and to Japan's participation; 3) the peacekeeping force maintains strict impartiality; 4) Japan's unit may withdraw should any of the above requirements cease to be satisfied; and 5) use of weapons is limited to the minimum necessary to protect personnel's lives. In addition, under a moratorium on SDF participation in core assignments of peacekeeping forces (PKF), SDF activities are limited to logistical support activities, such as medical care, transportation, communications and construction. In 1999, the Diet debated a relaxation on this moratorium, but has so far taken no action, reflecting continued public ambivalence about participation in PKF. As a result of the foregoing restrictions, Japan was not able to participate in peacekeeping activities in East Timor, but was instead only able to mount a mission to West Timor where the Air Self Defense Force delivered relief supplies to refugees who had fled East Timor. Though no legislative action is expected during the fall Diet session, we are encouraging Japan to take a more active role in peacekeeping.

(U) **Okinawa Political:** The June 11 elections in the Okinawa prefectural assembly delivered a clear victory for Governor Keiichi Inamine, whose backers picked up 2 seats, giving them a 30 to 18 majority. This was the first prefecture-wide election since Inamine's election in November 1998, and constituted a strong endorsement for his pragmatic approach to base issues, and his associated success in winning greater subsidies from Tokyo that constitute a mainstay of the Okinawan economy. In contrast, the election was a clear repudiation of reformist candidates' opposition to the bases and opposition to Futenma relocation.

(U) On August 28 the OPG presented a resolution to the Government of Japan and the U.S. Embassy calling for renegotiation of the Status of Forces Agreement (SOFA). The resolution proposes applying domestic Japanese law to U.S. facilities for environmental conservation and holding the U.S. military responsible for environmental pollution caused at its facilities. It also proposes garnishing servicemen's pay if they do not support children born to them by Japanese women. Lastly, the proposal would ban low-altitude training flights to alleviate noise pollution, and subject vehicles owned by U.S. military personnel to full taxation.

[REDACTED] opposition to the SOFA remains a powerful rallying point for anti-base forces in Okinawa that Governor Inamine cannot ignore. The GOJ and we firmly maintain that the SOFA is an issue for the central governments.

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(U) **Bilateral Issues**

(U) **Host Nation Support (HNS):** At the 2 + 2, Secretary Albright and Foreign Minister Kono signed the new Special Measures Agreement (SMA), which accounts for about \$1.6 billion of Japan's \$4.5 billion annual Host Nation Support (HNS). The balance is composed of costs for facilities and construction, land rent, and various taxes and fees waived under the Security Treaty of 1960. The GOJ's unilateral facilities improvement program (FIP) accounts for about \$900 million of HNS every year.

(U) The new SMA maintains the ceiling of 23,055 employees for GOJ labor support, which amounts to about \$1.3 billion annually. The GOJ commitment to pay for all costs associated with training relocation conducted at GOJ request also remains unchanged (about \$20 million annually). The new SMA imposes "economization" cuts in the utility ceilings that will amount to an estimated \$31.8 million reduction to \$270 million in the GOJ's annual utility cost sharing.

(U) [REDACTED]  
[REDACTED] The GOJ must still secure passage of the agreement in the Diet, but that appears manageable. [REDACTED]

DoS 1.4(d)

(U) **Defense Guidelines:** At the 2 + 2, we announced agreement on the establishment of a Bilateral Coordination Mechanism (BCM). This was a specific objective of the Guidelines. The BCM encompasses the policy and working level military-to-military and military-to-civilian coordination groups that will be called into action in the event of an attack on Japan or a "situation in areas surrounding Japan." With the BCM established, we will have a clearer means for conducting realistic exercises that will prepare both sides for actual contingencies.

(U) Also at the 2 + 2, we highlighted bilateral planning progress with the stand-up of the Coordination and Liaison Forum (CLF). Though not a specific requirement of the Guidelines, this body is an essential tool that our planners need to involve GOJ civilian agencies in the deliberate planning process.

(U) Over the past summer, the GOJ also took the initiative to issue a handbook to local authorities that explains the Guidelines and the kinds of cooperation that might be expected. Absent clear legal authority for the GOJ to compel the cooperation of local authorities in a crisis, this kind of outreach is essential to generating local understanding. It also shows the GOJ's steady commitment to Guidelines implementation.

(U) Most recently, the GOJ Cabinet has approved submission of legislation to implement the ship inspection portion of the Guidelines in Japanese law. The GOJ is not certain that there will be time in this Diet session (ends December 1) to pass the measure, and places greater priority on the Special Measures Agreement (host nation support) bill should there be a need to choose between the two. The draft law contains several restrictions that may make SDF participation in ship inspections impractical, but that will only become clear through exercises. Key points in the draft law include:

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- Ship inspections can be done only to help secure implementation of economic sanctions in a Situation in Areas Surrounding Japan (SIASJ).
- The economic sanctions can be under UNSC resolution, or in support of other international economic sanctions (e.g., the US and Japan together decide to impose sanctions), but Japan by law cannot impose economic sanctions unilaterally.
- Diet prior approval in each situation (not each ship) is required in principle; in an emergency it can be obtained retroactively.
- Prior concurrence of the ship's flag state is required.
- In conducting operations, JMSDF ships can make approaches toward other ships, and track them, and place themselves in the other ship's path, but use of force is prohibited except in self-defense. JMSDF ships can provide rear-area support to a U.S. ship inspection operation in SIASJ with Diet approval.

(C) Special Action Committee on Okinawa/Futenma Relocation.

[REDACTED]

DOS 1.4(d)  
OSD 1.4(b),(d)

we continue to hold to the public line that the matter should be handled in the context of the 1996 Joint Security Declaration. ("In response to changes which may arise in the international security environment, both governments will continue to consult on defense policies and military postures, including the U.S. force structure in Japan, which will best meet their requirements.") Responses along this line to press questioning at the 2 + 2 meeting and during SecDef's recent Japan visit struck just the right note.

(C) Attention is finally turning to the details of the specific construction site, construction method, and operational use restrictions. The GOJ and OPG held the third meeting of the Alternative Facility Coordination Council (AFCC) at which the GOJ, OPG and local officials will work out the specifics of the new facility. There is now consensus on having a civil-military dual-use facility, but no agreement on the construction method or precise site.

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(C) [REDACTED]

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(U) Of the remaining SACO initiatives, those not associated with land return have been completed. Several of the land returns are also moving ahead through the zoning processes and design work, but we don't expect to see any major deliverables on these until about 2004. Relocation of Naha Military Port to Urasoe has completely bogged down, due to the opposition of the Urasoe city assembly, and the recent shift of the Urasoe mayor to oppose the move.

(U) **Ballistic Missile Defense:** The initial \$72 million phase of TMD cooperation, begun in August 1999, remains on schedule and will conclude in summer 2001. That phase covers requirements analysis and design (RAD) to support development of technologies necessary for the Standard Missile 3 (SM-3) Block II upgrade under the Navy Theater Wide (NTW) program. The cooperation is focusing on four critical components (nose cone, seeker, second stage propulsion, and kinetic kill vehicle) to an enhanced SM-3 interceptor missile that will be required to provide a kill capability against ballistic missile threats expected after 2007-2012. The first round of discussions on the next stage was held in mid-October, and a second round is set for mid-November.

(S) [REDACTED]

In this environment, it remains important to reassure Japan of our political and programmatic commitment to TMD cooperation, even while we work through the overall NTW program definition issues. OSD 1.4(b),(d)

(S) [REDACTED]

DoS 1.4(d)

OSD 1.4 (b),(d)

(S) **Shinkampo:** During SecDef's March visit, we agreed with the GOJ on a five-point plan in further implementation of Prime Minister Obuchi's May 1999 commitment to POTUS that Envirotech (commonly known by its former name, "Shinkampo") would install dioxin-removing bag house filters by February 2000 and that the GOJ would fund construction of a 100-meter smokestack, to be completed by March 2001.

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(C) Installation of baghouse filters in the three incinerators has been completed, and the filters are operating. Joint monitoring data for June showed that on 23 of 30 days, Shinkampo's dioxin emissions exceeded the 0.6 pg/m<sup>3</sup> standard, with the highest daily level at 4.0 pg/m<sup>3</sup>. Additionally, there is excellent correlation between elevated dioxin numbers at the monitoring stations and recorded wind patterns, leaving no scientific doubt as to the source of the dioxin. Though a great improvement over August 1999's maximum level of 54 pg/m<sup>3</sup>, the numbers continue to support our political and legal cases that further action is required.

(C) Whether or not the filters are successful in removing dioxins, it is clear that the filters alone will not remove all pollutants, and that smoke will continue to fumigate base housing.

OSD 1.4 (b),(d)

(U) The next hearing on our lawsuit is scheduled for December. Though no one is projecting a quick end of the lawsuit, the Navy is confident that its strong videotape evidence of Shinkampo's actual practices, the joint and independent monitoring data, expert testimony, and Shinkampo's generally noncooperative attitude with court directives are leading us in a positive direction.

(U) Thus far, no Atsugi residents have opted to take-up the GOJ's offer to finance off-base housing, because (pollution aside) there is no comparable quality housing available, and the Navy is requiring that any GOJ-funded housing be of the same standard. We never expected that there would be a great demand for such housing when we included this item in the five-point plan, but felt that the offer itself was an important part of the overall public relations posture.

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(C) **Kobe Ship Visit:** In 1975, the city government of Kobe, Japan passed an ordinance that requires visiting military vessels to declare (in writing) that they carry no nuclear weapons ("the Kobe Formula"). Given U.S. NCND policy, no U.S. Navy (USN) ships have visited Kobe since the Kobe formula was promulgated.

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(C) [REDACTED]

DOS 1.4(d)

OSD 1.4(b),(d)

(C) **Field Carrier Landing Practice:** FCLP remains one of the larger irritants in the relations between our bases and local communities. Most recently, cities adjacent to Misawa and Atsugi bases temporarily cut-off "cordial relations" with the U.S. Navy in response to short-notice FCLP that the Navy conducted at those bases for two days during mid-September. Though the Navy normally conducts about 90 percent of its FCLP at Iwo Jima, inclement weather and operational urgency occasionally force use of mainland facilities. In 2000, use of mainland bases was inordinately high.

[REDACTED]

DOS 1.4(d)

### Japan's Foreign Relations

(C) **Sino-Japanese relations:** Chinese Premier Zhu Rongji's October 12-17 visit to Tokyo managed to defuse some of the recent negative public sentiment towards China, scoring points in the Japanese press for his PR efforts, including a very favorable performance in a TV 'Town Hall' meeting. GOJ officials unanimously gave Zhu high marks for improving the

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atmospherics for Japan-China relations, although they agree the visit did not produce any major breakthroughs on substance. Most important from Tokyo's perspective, however, was Zhu's deft handling of the history issue—a factor that doomed Jiang Zemin's 1998 visit. Zhu emphasized that he was not in Japan to seek an apology, even though he had been criticized harshly in China for not pursuing it.

(C) Foreign Minister Kono's late August visit to Beijing also patched over a major bilateral irritant. Tokyo and Beijing agreed that each country would notify the other prior to conducting marine scientific research in disputed waters. The GOJ had complained about numerous cases of PRC research vessels operating within Japan's Exclusive Economic Zone (EEZ) without prior approval over the past year. Although most of the violations occurred in disputed waters, and many involved military vessels [REDACTED] the increasing frequency of the incursions led the Japanese Diet to suspend ¥17 billion (\$158 million) in special loans in retaliation. The Diet also pressured MOFA to convene a panel to consider reducing other forms of official development assistance (ODA) to China. Though the loans were restored following Kono's visits, the incursions continued, and staff negotiations to implement the notifications process remain inconclusive.

DOS 1.4(d)

OSD 1.4(b),(d)

(C) Military to military contacts are generally improving, but still quite limited. Seventeen PLA National Defense University General Officers visited Japan from May 27 to June 5. Though the Japanese counterpart National Institute for Defense Studies has sent four such delegations to China, this was the first such visit of Chinese officers to Japan. Two weeks later, General Yuji Fujinawa (Chief of the Joint Staff Council) visited Beijing for bilateral security talks, completing a bilateral exchange. Nevertheless, the constraints on the military relationship are demonstrated by Beijing's continued refusal to consider JDA proposals for a JMSDF port call.

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OSD 1.4(b),(d)

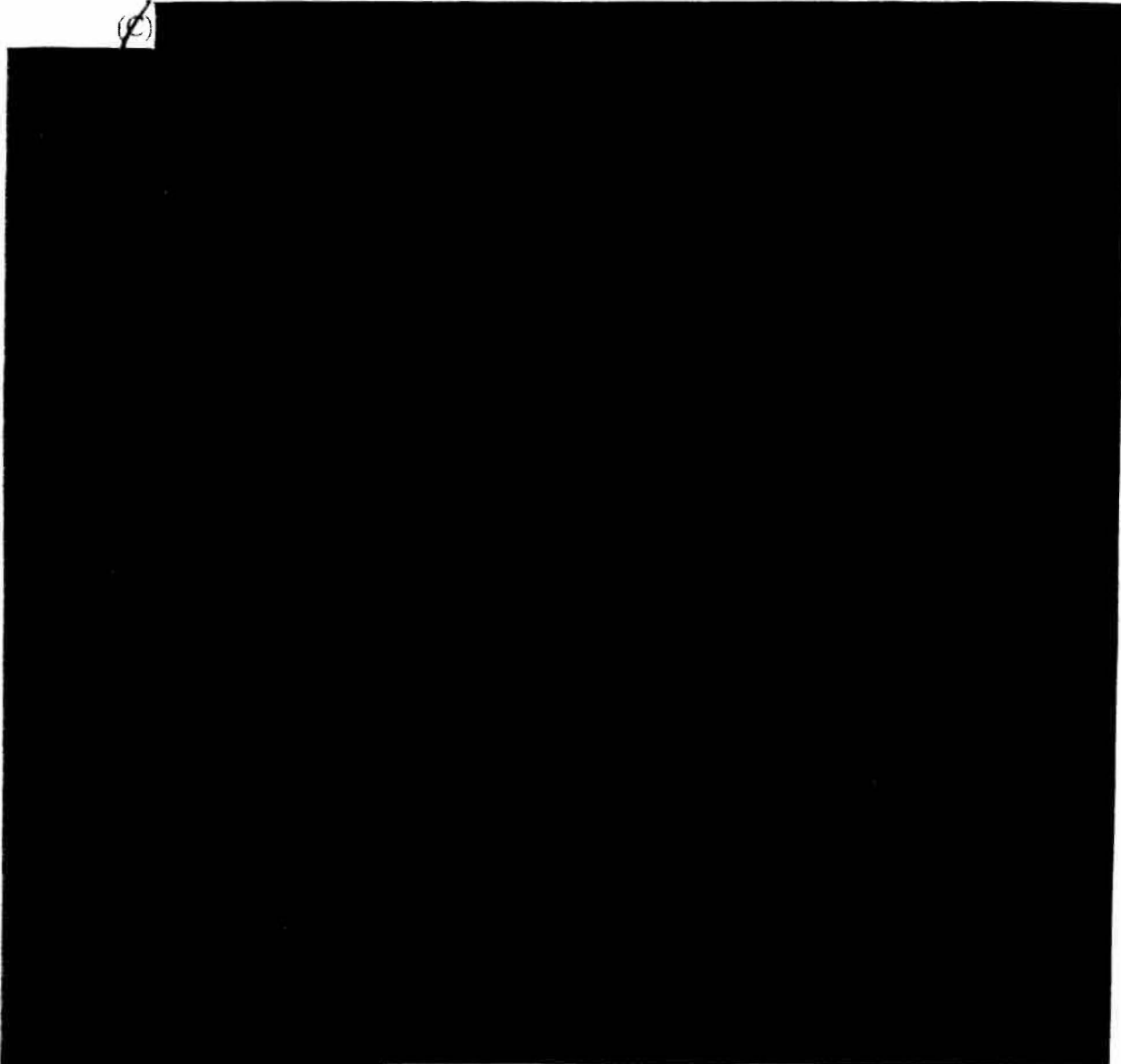
(C) **Japan-Russia:** During Russian President Vladimir Putin's 3-5 September state visit to Tokyo, Putin and Mori's attempts to release a new roadmap for bilateral relations focusing on economic and strategic matters were overshadowed by Putin's clear rejection of the December 2000 target for concluding a peace treaty and resolving the Northern territories dispute. October 23 Deputy Foreign Minister talks also produced little of substance, and expectations are already being lowered for Foreign Minister Kono's November 1-4 visit to Russia.

(U) Despite remaining technically at war, Japan has become Russia's third largest aid donor. Tokyo has committed \$6.5 billion in official grants, loans and trade insurance (although

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only \$2.5 billion has been dispersed) for Russian economic development. Japanese financial institutions resumed lending last year with \$475 million in balance of payments assistance under the World Bank, leaving Japan the only foreign donor to provide substantial cash loans to Russia.



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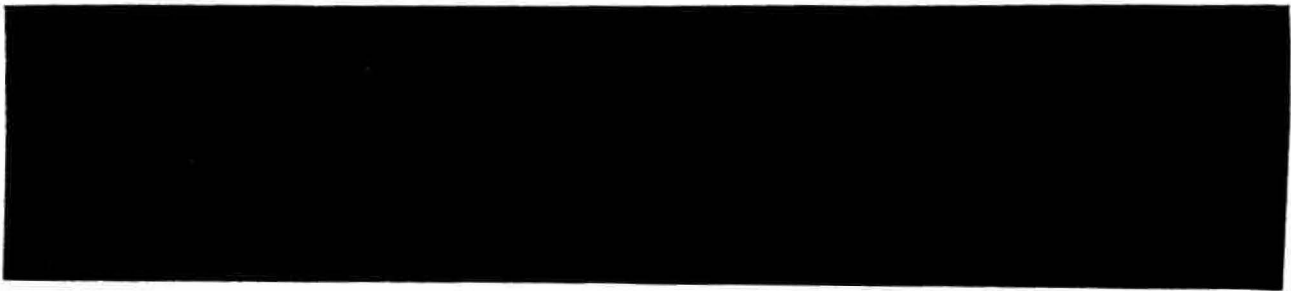
OSD 1.4(b),(d)

(C) **Japan-ROK relations:** Japan and the ROK are committed to improving relations and establishing tangible security ties despite historical, cultural and territorial animosities. The September 22-24 visit of South Korean President Kim Dae-Jung was smooth and congenial, as the two sides addressed an agenda spanning economic cooperation, cultural ties, and the security situation on the peninsula.

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(S) Military-to-military ties are also gradually expanding. The JMSDF and the ROK Navy held their first joint exercise in August 1999. Several surface combatants and aircraft conducted a search-and-rescue exercise southeast of Korea's Cheju Island. Another search-and-rescue exercise is scheduled for 2001. Japanese and Korean Defense Ministers meet regularly, while working-level contacts exist among all service branches. ROK Joint Chiefs of Staff Chairman ChoYung-Kil and his Japanese counterpart Yuji Fujinawa met in March.



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