

## Splitting the Check

### Military Cost and Burden-Sharing in the U.S.-Japan Alliance

A paper submitted to the Faculty of the United States Naval War College Newport, RI.

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## **Abstract**

### *Splitting the Check Military Cost and Burden-Sharing in the U.S.-Japan Alliance*

The U.S.-Japan alliance is the cornerstone of peace and security in the Indo-Pacific region. In November 2019, the Trump administration presented Japan with a demand for a 300% increase in cost-sharing to fund the continued presence of U.S. forces in Japan. This paper examines the genesis of the cost-sharing agreements between the U.S. and Japan and advocates for the enlargement of the aperture of consideration for the value of the alliance using a combined cost-sharing and burden-sharing mindset. Also discussed is how the North Atlantic Treaty Organization (NATO) and Republic of Korea (ROK) cost and burden-sharing issues affect the analysis of Japanese contributions to the U.S.-Japan alliance. Finally, this paper looks at domestic political constraints and restraints in both the U.S. and Japan that influence how leaders approach cost and burden-sharing in arguably the most strategically important area in the world.

## Introduction

The U.S.-Japan alliance is the cornerstone of peace and security in East Asia. Since the end of World War II, large numbers of U.S. troops have been forward-stationed in Japan with the dual role of providing for the defense of Japan (through the 1960 mutual defense treaty<sup>1</sup>) and ensuring peace and security in the larger Indo-Pacific region (see Appendix A for background on the evolution of the U.S.-Japan Alliance). The lack of open conflict since the Korean War in the immediate vicinity of Japan is due, at least in part, to this forward umbrella of American military power. It also facilitated massive economic growth in the region.<sup>2</sup> The emergence of Great Power Competition in the 2010s placed new importance on the U.S.-Japan alliance across a wide range of shared interests. Japan's proximity to some of the most dangerous friction points in the world - specifically Taiwan, the South China Sea, the East China Sea, North Korea, and Russia – only heightens the significance of the bilateral relationship.

Despite the importance that the alliance plays, recent frictions demonstrate a shortsightedness in U.S. efforts to reframe the partnership. In November 2019, the U.S. presented Japan with a demand to increase their cost-sharing contribution for forward-deployed forces by approximately 300% from roughly \$2 billion to \$8 billion.<sup>3</sup> Although this proposal may constitute an initial volley in a long negotiation process, it nevertheless adds considerable friction to America's most valuable strategic relationship in the Indo-Pacific region. Looked at in context with similar demands to (and failed negotiations with) the Republic of Korea (ROK), this will only weaken U.S. posture at a critical time as regional threats multiply at an exponential

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<sup>1</sup> "Treaty of Mutual Cooperation and Security Between Japan and the United States of America," 19 January 1960, accessed 3 September 2019, <https://mofa.go.jp/region/n-america/us/q&a/ref/1.html>.

<sup>2</sup> World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, World Bank Policy Research Report (New York: Oxford University Press, 1993), 1-3.

<sup>3</sup> Lara Seligman and Robbie Gramer, "Trump Asks Tokyo to Quadruple Payments for U.S. Troops in Japan." *Foreign Policy*, 15 November 2019, accessed 3 December 2019, <https://foreignpolicy.com/2019/11/15/trump-asks-tokyo-quadruple-payments-us-troops-japan/>.

rate. For example, there is a growing concern that U.S. forces may not be enough to deter Chinese aggression in Asia, thus requiring expanded Japanese help using all elements of Tokyo's national power including the military.

Ultimately the two allies must achieve a shared vision of an open and free Indo-Pacific region while cohesively operating across the spectrum of both competition and conflict. This means that cost-sharing issues within the U.S.-Japan alliance must move beyond merely a monetary discussion to a larger one of equitable burden-sharing that encompasses the fielding of synergistic capabilities, loosening of legal restrictions on the use of Japanese military forces, and coordinating of bilateral and multilateral all-of-government approaches.

### **Cost-Sharing Versus Burden-Sharing**

The vast majority of discussion concerning military equities in the U.S.-Japan alliance focuses on money (cost) instead of overall responsibilities (burden) to defend Japan and maintain a free and open Indo-Pacific. It is critical first to distinguish the differences between the terms cost-sharing and burden-sharing. Cost-sharing is the amount of money that a host nation contributes to the basing of a foreign ally's forces in their country. Burden-sharing is broader and includes the amount that each member of an alliance spends on their own defense to achieve shared objectives.<sup>4</sup> This includes the synergistic effects created through complementary capabilities or extra capacity in critical areas. Beyond strict monetary comparisons, burden-sharing can also involve having the political will to employ those forces to deny, deter, and defeat common adversaries in a coordinated manner without overly prohibitive rules of engagement or national caveats.

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<sup>4</sup> Michael MacArthur Bosack, "The Looming Cost-Sharing Storm: Mitigating the Impacts of Special Measures Agreement Negotiations on the U.S.-Japan Alliance," *Sasakawa USA Forum Issue No. 18*, (Washington, D.C.: The Sasakawa Peace Foundation USA, 7 May 2019), 4-5.

It is within this latter space that the U.S.-Japanese alliance should be measured. In particular, there is a struggle today to get Japan more engaged in Great Power Competition with China due to Japanese isolationist and pacifistic tendencies as well as economic concerns. U.S. policy toward the alliance must aim to gradually change Japan's posture through incentives and convincing the Japanese that it is in their best interest to take a leading regional role in thwarting Chinese actions vice employing hardline negotiating tactics related purely to money concerns.

### **U.S.-Japan Alliance Cost-Sharing**

Cost-sharing within the alliance evolved over time. In the 1970s, Japan's economy began to flourish as investments in infrastructure and high technology industries such as computers and automobiles paid dividends. The Bretton Woods fixed yen-to-dollar exchange rate of ¥360 to \$1 collapsed in 1971. Although initially replaced by a ¥308 to \$1 exchange rate, Japanese authorities soon created a free-floating system against the dollar that drove the yen as low as ¥177 to \$1 by 1978.<sup>5</sup> Although good for the Japanese economy, these monetary fluctuations had the unintended effect of significantly raising the costs of stationing U.S. forces in Japan. To compensate, in 1978-79, the U.S. and Japan negotiated a cost-sharing scheme in which Japan would pay for specific labor costs associated with U.S. forces as well as a Facility Improvement Program (FIP) to update or replace antiquated postwar military infrastructure. Collectively, these two initiatives comprise the Host Nation Support (HNS) program.<sup>6</sup>

A decade later, the partners put in place additional measures to address cost sharing. In 1987, as labor costs continued to soar, the U.S. and Japan signed another agreement to alleviate U.S. costs. Under the Status of Forces Agreement (SOFA), a separate arrangement called the

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<sup>5</sup> Reuters, "Timeline: Milestones in the Yen's History – 27 October 2008," accessed 12 January 2020, <https://www.reuters.com/article/us-yen/timeline-milestones-in-the-yens-history-idUSTRE49Q1AN20081027>.

<sup>6</sup> Japan Ministry of Defense, *Defense of Japan 2019*, 26 September 2019 accessed 27 September 2019, [https://www.mod.go.jp/e/publ/w\\_paper/2019.html](https://www.mod.go.jp/e/publ/w_paper/2019.html), 328.

Special Measures Agreement (SMA) provides specific funding streams from the Government of Japan (GOJ) in eight categories (See Appendix B). The SMAs run on five-year cycles with some cost fluctuations due to exchange rates. They can also be modified to address emerging challenges in the intervening years. In 1996, the GOJ expanded the SMA to include training relocation money to appease local populace affected by noise associated with U.S. military operations.<sup>7</sup> The current SMA is in effect through March 2021 (See Appendix C).

Like all things monetary, there are many ways to approach accounting for Japanese cost-sharing expenditures and breaking down each ally's exact contribution is difficult to do. Examining cost-sharing for fiscal year 2019 (FY19), the GOJ contribution for U.S. forces was ¥197.4 billion (roughly \$181 million), per the current SMA agreement. However, looked at more holistically, the realignment related costs that Japan applied along with other associated provisions brings the SMA totals to ¥582.3 billion (roughly \$534 million).<sup>8</sup> The U.S. government spent approximately \$5.3 billion in FY19 to station troops in Japan, including personnel, operations and maintenance, military construction, housing, and revolving fund costs.<sup>9</sup> The FY19 reimbursement money received directly from the GOJ to the Department of Defense was \$244 million.<sup>10</sup> Other costs went directly to Japanese labor and service providers (e.g., utility companies) in-country, ultimately totaling approximately \$2 billion.<sup>11</sup> Depending on which set of

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<sup>7</sup> *Defense of Japan 2019*, 329.

<sup>8</sup> *Defense of Japan 2019*, 329; This assumes roughly an average 2019 yearly conversion rate of ¥109 to \$1.

<sup>9</sup> U.S. Department of Defense, *Operation and Maintenance Overview Fiscal Year 2020 Budget Estimates*, (Washington, D.C.: Office of the Under Secretary of Defense (Comptroller) / Chief Financial Officer, March 2018), 181.

<sup>10</sup> U.S. Department of Defense, *National Defense Budget Estimates for FY 2020*, (Washington, D.C.: Office of the Under Secretary of Defense (Comptroller), May 2018), 110.

<sup>11</sup> *Defense of Japan 2019*, 329-330.

statistics you subscribe to and what bills you include in the total, Japan pays somewhere between 74.5%<sup>12</sup> and 86%<sup>13</sup> of U.S. forward-basing costs.<sup>14</sup>

### **Burden-Sharing and Japanese Pacifism**

To understand burden-sharing in the U.S.-Japan alliance, one must first examine Japanese pacifism as that element colors all aspects how the two countries approach their bilateral military relationship. Yasuhiro Izumikawa defines pacifism as a policy that “denies any meaningful role for the military and the use of force as a means to pursue a state’s national interests.”<sup>15</sup> Its infiltration into the Japanese national psyche from the horrors of World War II often extends beyond the purely military realm into foreign policy.<sup>16</sup> This is to the point where it becomes a primary concern for Japanese leaders when dealing with both competitors and friends alike.

Ironically, the U.S. had a major role in fostering and enshrining pacifism in Japan. In the immediate aftermath of World War II, the U.S. had a vested interest in preventing the reemergence of a militant Japanese state. To do so, General Douglas MacArthur, then the military governor of the occupation forces, engineered pacifism into the Japanese constitution as a means of ensuring Japanese military power remained in check. Article 9 of Japan’s constitution

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<sup>12</sup> U.S. Department of Defense, *2004 Statistical Compendium on Allied Contributions to the Common Defense*, (Washington, D.C.: Office of the Secretary of Defense, 2004), B-21. [Note: This is the last year for which consolidated data of this nature is available].

<sup>13</sup> Ayako Mie, “How Much does Japan Pay to Host U.S. Forces? Depends on Who You Ask,” *Japan Times*, 31 January 2017, accessed 14 January 2020, <https://www.japantimes.co.jp/news/2017/10/31/national/much-japan-pay-host-u-s-forces-depends-ask/#Xh4WGi9Onmo>.

<sup>14</sup> It is also important to note that the GOJ’s Defense Policy Review Initiative (DPRI)-related expenditures [see Appendix A for explanation] for basing infrastructure improvements (close to \$20 billion over the life of the program), are in addition to the other operational cost-sharing agreements. Source: Emma Chanlett-Avery, Caitlin Campbell, and Joshua A. Williams, *The U.S.-Japan Alliance*, CRS Report RL33740 (Washington, D.C.: Congressional Research Service, 13 June 2019), 22-23.

<sup>15</sup> Yasuhiro Izumikawa, “Explaining Japanese Antimilitarism: Normative and Realist Constraints on Japan’s Security Policy,” *International Security* 35, no. 2 (Fall 2010): 129, accessed 14 May 2020, JSTOR.

<sup>16</sup> The best example is Japan’s use of “checkbook diplomacy” to secure vital national interests without having to commit military forces. Such was the case during the 1991 Gulf War when Japan financed U.S. military actions to ensure the free-flow of Middle Eastern oil. Source: Leif-Eric Easley, “How Proactive? How Pacifist? Charting Japan’s Evolving Defence Posture,” *Australian Journal of International Affairs* 71 no.1 (11 July 2016): 63-87, doi: 10.1080/10357718.2016.1181148, 63.

specifically prohibits the use of force as a means to settle international disputes and even outlaws the formation of land, sea, and air forces.<sup>17</sup> In 1954, Japanese leaders carefully weaved through the legalities of maintaining a standing military force by, instead, forming the self-defense forces.<sup>18</sup> To this day, however, Japan continues to grapple with the interpretation of Article 9 with respect to what type of military it can possess, what it can do with it, and how that military interacts within the construct of an alliance.<sup>19</sup>

Pacifism's constitutional dictum essentially favors cost-sharing over burden-sharing, and, when fortified by often staunch public opinion, creates virtual concrete boundaries to changing Japan's military posture. Despite these obstacles, Japan continues along a path toward military modernization and force employment liberalization under Prime Minister Shinzo Abe.<sup>20</sup> The U.S. must recognize that this represents a tectonic shift in posture yet appreciate that the timelines for such even larger changes do not necessarily match U.S. desires. Furthermore, interrupting this process through increased American cost-sharing demands could result in unfavorable Japanese domestic opposition that ultimately delays, or potentially halts, this reform process. Accepting short term cost-sharing imbalances for longer-term burden-sharing gains in the alliance is in the best interests of the U.S. In the future, actions such as Japanese participation in Freedom of Navigation Operations (FONOPS) in the South China Sea could become a reality if political restrictions disappear thus adding critical depth and legitimacy to U.S. efforts in the region.

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<sup>17</sup> Japan Constitution, chapter II, article 9, 3 May 1947.

<sup>18</sup> Martin E. Weinstein, *Japan's Postwar Defense Policy, 1947-1968*, (New York: Columbia University Press, 1971), 88.

<sup>19</sup> Library of Congress, *Japan: Interpretations of Article 9 of the Constitution*, (Washington, D.C. Law Library of Congress Global Legal Research Center, September 2015), 3-4.

<sup>20</sup> As an example, Japan recently deployed a destroyer and two maritime patrol aircraft to the Middle East amid rising tensions in the Arabian Gulf specifically with Iran. Source: Elizabeth Shim, "Japan's Military to Deploy Maritime Force to Middle East," UPI, 10 January 2020, accessed 14 January 2020, [https://www.upi.com/Top\\_News/World-News/2020/01/10/Japans-military-to-deploy-maritime-force-to-Middle-East/2241578675955/](https://www.upi.com/Top_News/World-News/2020/01/10/Japans-military-to-deploy-maritime-force-to-Middle-East/2241578675955/).

### **The Cost Plus 50 Formula**

The current cost-sharing controversy exemplifies this American short-sightedness. In the Spring of 2019, rumors started to surface of a scheme within President Donald Trump's administration entitled "Cost Plus 50," which calls for full reimbursement by host nations of the cost of stationing U.S. forces in that country with an additional 50% premium applied.<sup>21</sup> Countries that refuse to pay this would conceivably lose U.S. troops (and the incumbent economic benefits), incur the costs of bolstering their own militaries directly, and face the prospect of protecting themselves without immediately available U.S. forces. The primary argument for the proposal is that allies are capable of paying for their fair share. However, as Stacie Pettyjohn opines, this proposal threatens to turn "enduring partners into transactional ones" and could lead to the end of critical military alliances that would threaten the global deployability of U.S. forces.<sup>22</sup>

With respect to Japan, this directly detracts from furthering American interests in a highly dynamic region and has repercussions for U.S. global posture. Furthermore, there would be immediate and substantial costs to the U.S. of withdrawal, including equipment retrograde expenses, overseas base closing fees, and domestic base construction outlays to house the returning troops. Also, mobility assets may need expansion to account for the new heavy lift requirements needed to ensure the capability to rapidly deploy to locations where the U.S. could previously have relied on already forward-deployed forces.<sup>23</sup>

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<sup>21</sup> Stacie L. Pettyjohn, "'Cost Plus 50' Explained," The RAND Blog, March 2019, accessed 14 January 2020, <https://www.rand.org/blog/2019/03/cost-plus-50-explained.html>.

<sup>22</sup> "'Cost Plus 50' Explained."

<sup>23</sup> Rick Berger, "'Cost Plus 50' and Bringing U.S. Troops Home: A Look at the Numbers," War on the Rocks, 15 March 2019, accessed 14 January 2020. <https://warontherocks.com/2019/03/cost-plus-50-and-bringing-u-s-troops-home-a-look-at-the-numbers>.

For Japan, the Cost Plus 50 scheme equates to the roughly \$8 billion price tag associated with initial SMA proposals in November 2019.<sup>24</sup> Whether or not Cost Plus 50 was meant to be a shock to allies to spur on negotiations, the mere proposal could have irreversible effects on critical alliances. Even if shelved in the near term, initiatives akin to this are likely to continue to reemerge in altered forms, especially in economically hard times in the U.S.

### **NATO Burden-Sharing and Its Effect on the U.S.-Japan Alliance**

The U.S.-Japan cost and burden-sharing discussions are somewhat poisoned by similar (but not exactly alike) debates within the North Atlantic Treaty Organization (NATO). The Trump administration has taken NATO to task after years of declining European defense budgets, lukewarm commitment to NATO missions in the Middle East, and frustrating national caveats that limit the effectiveness of the alliance. However, the nature of the NATO relationship is significantly different than that of the U.S.-Japan alliance due to the operational environments, the scope of commitment, and history. Regardless, politicians, pundits, and the press frequently apply a NATO cost and burden-sharing lens to the U.S.-Japan alliance.

The most glaring example of this juxtaposition is using NATO's guideline that its members should spend 2% of Gross Domestic Product (GDP) on defense. In fact, the reporting surrounding the cost-sharing issue with Japan is littered with this NATO metric. At the height of the Cold War spending in 1985, the U.S. spent 6.7% of its GDP on defense, with the average European ally spending approximately 3.5%.<sup>25</sup> However, by 2019, only a handful of countries met the 2% mark (e.g., U.S., Great Britain, and the Baltic States) while many other nations were spending the vast majority of their defense dollars on personnel costs and therefore not meeting

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<sup>24</sup> \$5.3 billion to station troops in Japan plus a 50% premium of \$2.65 billion equals \$7.95 billion.

<sup>25</sup> Congressional Budget Office, *NATO Burdensharing After Enlargement*, CBO Paper (Washington, D.C.: Congressional Budget Office, August 2001), viii.

the additional 20% guideline on equipment expenditure (with force modernization and overall capability being the aim).<sup>26</sup> This meant that U.S. budgets consistently accounted for over 70% of total NATO defense expenditures (albeit distributed globally and not exclusively assigned to NATO).<sup>27</sup> The result of this faulty comparison is a collective U.S. domestic fatigue with allies across the Atlantic that then poisons relationships in the Pacific.

Many critics like to compare Germany and Japan given their similarities with respect to the number of U.S. military force based in each country and size of their economies. Germany is the NATO country hosting the largest number of U.S. troops (approximately 35,200 in 2018)<sup>28</sup> while Japan has the most U.S. troops in the Pacific (approximately 54,000).<sup>29</sup> Germany also happens to have a GDP comparable to Japan<sup>30</sup> and spends approximately \$54 billion on defense annually. This amounts to 1.36% of its GDP<sup>31</sup> with 16% allocated for equipment.<sup>32</sup> Japan spends a like percentage (16.6%) on equipment<sup>33</sup> but 0.929% of GDP on defense overall.<sup>34</sup> If Japan's personnel costs (including pensions) are included (as they are in Germany's statistics), the number rises closer to 1.2% making their expenditures very similar.<sup>35</sup> However, these numbers do not tell the whole story because the cost-sharing arrangements, especially in relation to base

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<sup>26</sup> *Defence Expenditure of NATO Countries (2013-2019)*, 5.

<sup>27</sup> *NATO Burdensharing After Enlargement*, 5.

<sup>28</sup> Government of Germany, "The U.S. Military In Germany," Germany and the U.S., accessed 14 January 2020, <https://www.deutschland.de/en/usa/the-importance-of-american-troops-in-germany>.

<sup>29</sup> U.S. Department of Defense, *Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region* (Washington, D.C.: Office of the Secretary of Defense, 1 June 2019), 23.

<sup>30</sup> In 2018 (the latest year for which complete statistics are available), Japan had the third largest economy in the world at \$4.9 trillion and Germany has the fourth largest economy at \$3.9 trillion GDP. Source: World Bank, *Gross Domestic Product 2018*, (Washington, D.C.: Headquarters World Bank, 2019), accessed 14 January 2020, <https://databank.worldbank.org/data/download/GDP.pdf>.

<sup>31</sup> *Defence Expenditure of NATO Countries*, 7-8.

<sup>32</sup> *Defence Expenditure of NATO Countries*, 2.

<sup>33</sup> *Defense of Japan 2019*, 241.

<sup>34</sup> *Defense of Japan 2019*, 481.

<sup>35</sup> Masaya Kato, "Japan Targets Record Defense Spending in New 5-Year Plan," *Nikkei Asian Review*, 8 December 2018, accessed 3 September 2019, <https://asia.nikkei.com/Politics/Japan-targets-record-defense-spending-in-new-5-year-plan>.

infrastructure, land usage, tax exemptions, and labor, are vastly different and impossible to compare directly.<sup>36</sup> It is also important to note that Germany also resides in a decidedly less contentious part of the world than Japan.

The Trump administration has made great strides in reversing years of declining European contributions to NATO, but exporting that same logic to the Pacific is problematic not only due to the cost-sharing regimes but also strategic priorities vis à vis China. What is somewhat comparable is the reluctance of some NATO members and Japan to participate more aggressively in alliance actions either in direct conflict or lower-level, competitive environments (especially against Russia and China). The U.S. propensity to look at metrics such as money spent sometimes clouds the more important, yet subjective, measure of contributions to bilateral and multilateral operations in addition to intangibles, such as the political will to stand by the U.S. in challenging the aims of revisionist powers.

### **U.S.-ROK Cost-Sharing**

The U.S.-ROK relationship also has substantial impacts on the U.S.-Japan relationship. Given that both the ROK and Japan host significant numbers of U.S. forces, negotiate bilateral cost-sharing agreements, share a common adversary in North Korea, and worry about increasing Chinese influence in the Indo-Pacific, there are inevitable comparisons between the SMAs. When put into context with Japan-ROK tensions concerning lingering World War II reparations, territorial disputes in the Takeshima / Dokdo islands, and legitimate trade competition, the comparison in how the two nations pay for U.S. military protection becomes more intense. This injects bilateral friction points between Japan and Korea into the trilateral relationship resulting

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<sup>36</sup> Michael J. Lustumbo et al., *Overseas Basing of U.S. Military Forces: An Assessment of Relative Costs and Strategic Benefits*, Rand Defense Research Institute (Washington, D.C.: Rand Corporation, 2013), 153-154.

in Japan and the ROK “peaking over the fence” to see what type of deal the other is making with the U.S.

When the U.S.-ROK cost-sharing agreement expired in 2019, Trump asked Seoul to increase its contribution by 50% at the last minute (i.e., Cost Plus 50). With little time to negotiate, both sides agreed to a stop gap one-year agreement with an 8.2% increase in 2019. Trump followed this up with another demand that the ROK increase their cost-sharing contribution by 400% in preparation for the 2020 negotiations.<sup>37</sup> This subsequently led to a failure of both sides to reach an agreement in March 2020 forcing U.S. Forces Korea (USFK) to furlough nearly 4,000 host nation workers in April 2020. These loss of these workers, who provide a plethora of services for U.S. troops and their families, has a yet-to-be-determined readiness effect on USFK forces. As of this writing, those workers remain furloughed as a cost-sharing agreement remains elusive.<sup>38</sup>

Taken out of context, one could view this as merely a dispute between allies about money. However, when placed against a backdrop of a growing global COVID-19 pandemic (and its economic impacts); renewed North Korean missile tests; and Chinese overtures toward Seoul, this is a dangerous game that affects the entire region. The failed negotiations in Korea are a potential harbinger of things to come when the U.S. and Japan revisit their bilateral SMA in 2021.

### **U.S. and Japanese Domestic Political Considerations**

One cannot dismiss the domestic political considerations in this drama, especially in a U.S. presidential election year. As continual debates about ongoing wars in the Middle East and

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<sup>37</sup> “Trump Asks Tokyo to Quadruple Payments for U.S. Troops in Japan.”

<sup>38</sup> Ellen Mitchell, “Thousands of Workers Furloughed on US bases in South Korea After Deal Falls Through,” The Hill, 1 April 2020, accessed 14 May 2020, <https://thehill.com/policy/defense/490599-thousands-of-workers-furloughed-on-us-bases-in-south-korea-after-deal-falls>.

topics such as expanded domestic programs (especially related to the pandemic and its effects on the economy) take center stage, cost and burden-sharing are likely topics in the general election. For Trump, in particular, this tough talk appeals to his political base. The significant concessions on U.S. agricultural goods that he extracted in the recent trade agreement with Japan<sup>39</sup> also play well with voters in the farm belt and may, in fact, embolden him in military cost-sharing negotiations.<sup>40</sup> Conversely, a Trump loss in November and the installation of a Democratic administration could completely recast the SMA renegotiation process for both the ROK and Japan in yet unknown ways.

Japan is also not without domestic political concerns in the cost-sharing debate. Beyond the pacifism debate, the Japanese economy continues to suffer from stagnation further exacerbated by the worldwide economic downturn. A depreciated yen has less buying power, reduces export profitability compared to the dollar, and constrains defense spending. Also, Abe's leadership of the country will end in 2021. A September 2019 reshuffling of his cabinet may signal an intent to change the constitution before he leaves office. Also, the positioning of potential successors (many of which are English-speaking, Western-educated, and pro-U.S.<sup>41</sup>) offer a real opportunity for continued cooperation along the lines of the Trump-Abe model in the 2020s, and perhaps a less contentious SMA negotiation process.

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<sup>39</sup> William Sposato, "Japan Regrets Trusting Trump on Trade," *Foreign Policy*, 5 December 2019, accessed 12 January 2020, <https://foreignpolicy.com/2019/12/05/tokyo-abe-japan-regrets-trusting-trump-on-trade/>.

<sup>40</sup> Trump also has a long history of criticism of U.S. support for Japan's defense dating back to the 1980s when he purchased an advertisement in multiple major newspapers to showcase an open letter to the American people that specifically calls out Japan for failing to pay enough money for their own defense. This occurred during Operation *Earnest Will* when the U.S. military reflagged and escorted oil tankers, many bound for Japan, to protect them from Iranian mines and gunboats in the Persian Gulf region. Source: Liu Zhen, "What's Donald Trump Planning? 1987 Advertisement Offers Clues," *South China Morning Post*, 4 December 2016, accessed 16 January 2020, <https://www.scmp.com/news/china/diplomacy-defence/article/2049751/whats-donald-trump-planning-1987-advertisement-offers>.

<sup>41</sup> Sakura Murakami, "With Cabinet Reshuffle, Abe Confirms Intent to Seek Change to Constitution," *Japan Times*, 11 September 2019, accessed 14 January 2020, <https://www.japantimes.co.jp/news/2019/09/11/national/politics-diplomacy/abe-set-carry-major-revamp-cabinet-bid-ensure-stability-tackle-new-challenges/#Xh4Kcy9Onmo>.

### **Expanding the View of U.S.-Japan Alliance Burden-Sharing**

With all these complex factors, how should one analyze the burden-sharing in the U.S.-Japan alliance? Traditional burden-sharing analysis looks solely at money expended to fund one's military in support of the alliance, but it is also an incomplete metric for judging overall contributions and, by extension, effects. The 2019 Japanese defense budget grew by ¥68.2 billion to ¥5.007 trillion (roughly \$46 billion) – a 1.4% increase and the seventh straight year of growth. This budget equates to approximately 0.93% of the Japanese GDP.<sup>42</sup> By comparison, the U.S. budget (spread worldwide) in 2019 was \$730 billion and 3.42% of GDP.<sup>43</sup> The global nature of the U.S. military further clouds the breakdown of contribution because of fluid force movements, overlapping operational commitments (e.g., Japan-based forces committed to Korean Peninsula contingencies), and the interconnectedness of the modern world where actions in one theater can have massive effects in another (e.g., U.S. actions in the Middle East to ensure the free-flow of oil to Japan). Thus, present-day alliance operations need a more comprehensive analysis tool to judge burden-sharing limited to a single theater.

A 1990 RAND Corporation study provides a methodology for assessing the fairness of cost and burden-sharing within alliances. Although focused on NATO, its tenets offer insight into assessing the balance of the U.S.-Japan alliance through six measures – (1) the general deterrence of potential aggressors; (2) defense in primary, adjacent, or out-of-area regions; (3) development of the defense industry; (4) foreign policy leverage; (5) domestic political support;

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<sup>42</sup> *Defense of Japan 2019*, 481.

<sup>43</sup> North Atlantic Treaty Organization, *Defence Expenditure of NATO Countries (2013-2019)*, NATO Press Release, (Brussels, Belgium: 29 November 2019), 5-6.

and (6) foreign military sales.<sup>44</sup> When applied to Japan, these factors paint a different picture of the alliance.

With respect to the deterrence of potential aggressors, within the alliance, this falls primarily on the U.S. based on the capabilities inherent in the global U.S. force to include nuclear weapons. Separating potential adversaries into balance sheets of localized deterrence shows that influencing China requires significant contributions from both the U.S. and Japan, while North Korea remains principally a U.S.-ROK problem-set and Russia (as it relates to the Kuril Islands and Japanese homewaters) remains primarily a Japan emphasis item. Japan's limited offensive weapon capabilities further constrain their options although that is slowly changing.<sup>45</sup>

For defense of primary, adjacent, and regional areas, the Japanese Self-Defense Forces (JSDF) have advanced considerably in respect to defending their territory, and they do contribute to defensive operations in immediately adjacent areas. Their effectiveness, however, is dependent on the adversary and the intensity of the scenario. Although they possess the capability to carry out peacetime intercepts of Chinese air and sea incursions into the Senkaku Islands, the JSDF would be severely challenged to face a concerted Chinese multi-domain military action without direct U.S. involvement.<sup>46</sup> The U.S. has primary responsibility for the regional and adjacent area power projection and defense, with backup tasks to assist the Japanese for their homeland defense (including U.S. bases) – a generally symbiotic relationship but one that must grow and change as threats morph in the future.

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<sup>44</sup> Benjamin Zycher, *A Generalized Approach for Analysis of Alliance Burden-Sharing*, A RAND Note, (Washington, D.C.: RAND Corporation, September 1990), 14.

<sup>45</sup> Japan Ministry of Defense, *Medium Term Defense Program (FY2019 - FY2023)*, (Tokyo: Japan Ministry of Defense, 18 December 2018), 10-12.

<sup>46</sup> Japan Ministry of Defense, "The Guidelines for Japan-U.S. Defense Cooperation" 27 April 2015, accessed 3 September 2019, [https://www.mod.go.jp/e/d\\_act/anpo/shishin\\_20150427e.html](https://www.mod.go.jp/e/d_act/anpo/shishin_20150427e.html).

Japan has a robust high technology industry that frequently co-develops weapons with the U.S. (e.g., SM-3 missile) or produces U.S. weapons under license (e.g., F-35A) albeit at elevated cost.<sup>47</sup> Having the same systems or related systems means that the two forces are inherently interoperable. Co-development means additional money for U.S. companies and access to Japanese intellectual property.

Due to Japan's isolationist tendencies, its foreign policy apparatus works primarily behind the scenes. Largely aligned with U.S. interests, it does have additional avenues of foreign policy leverage with Taiwan and the Association of Southeast Asian Nations (ASEAN) that are valuable to the U.S. With respect to the Philippines and Vietnam, it is cautiously expanding military aid.<sup>48</sup> Multilateral efforts through the "Quad" (Japan, U.S., India, and Australia) offer a bulwark to thwart revisionist power tactics in the Indo-Pacific.<sup>49</sup> Preserving and expanding these nascent relationships should be a high priority for U.S. foreign policy towards Japan.

The domestic political scene in Japan (already discussed) is complex, arcane, and bureaucratic, but Abe has adeptly managed it throughout his tenure. His ability to incrementally move the Japanese toward a more flexible interpretation of constitutional pacifism will likely be his greatest legacy. On Okinawa issues, Abe effectively stymied a prefectural government (with an open animosity toward U.S. forces) intent on obstructing the construction of new bases.<sup>50</sup> In alliance terms, these actions arguably make him the most influential and valuable prime minister ever.

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<sup>47</sup> *Medium Term Defense Program (FY2019 - FY2023)*, 36.

<sup>48</sup> *Defense of Japan 2019*, 34.

<sup>49</sup> U.S. Department of State, "U.S.-Australia-India-Japan Consultations ("The Quad")," (Washington, D.C.: Office of the Spokesperson, 31 May 2019), accessed 16 January 2020, <https://www.state.gov/u-s-australia-india-japan-consultations-the-quad/>.

<sup>50</sup> "Abe Moves Ahead with Base Work in Okinawa After 'No' Referendum," *The Asahi Shimbun*, 25 February 2019, accessed 14 January 2020, <https://www.asahi.com/ajw/articles/AJ201902250039.html>.

Finally, Japanese purchases of U.S. weaponry through the foreign military sales process continues as equipment procured in the 1980s reaches the end of its service life. The JSDF purchases not only boost U.S. industry, but reduce the overall cost of weapons for the U.S. government, establish chains of in-country logistics support for common weapon systems, and enhance the interoperability of the alliance – all key elements to regional deterrence.

### **Alternate Visions of the U.S.-Japan Alliance**

It is critical to look at the opposing arguments in the cost and burden-sharing debates to properly assess how the alliance contributes to Japanese-American interests. In some minds, the mere presence of U.S. forces in Japan is a relic of the Cold War that needs drastic revision. While in a perfect world, Japan would provide more direct burden-sharing resources, the reality is that pacifism in some form is likely to survive even an Abe-led rewrite of the constitution. On the U.S. side, “money in the bank” in the form of larger cost-sharing, even beyond that required to forward-deploy the force, could mean that forward-deployed forces actually earn a “profit.” That money could potentially be plowed back into modernization budgets, thus making the military more self-supporting or even allow greater siphoning-off of baseline budget defense dollars to support domestic programs.

There is also the argument that Japan has all the means (money and advanced equipment) to defend itself and the larger region but only lacks the will to do so. A modified U.S. military posture in Japan could take on more of an advisory role to advance the JSDF’s tactical and operational capabilities through training, ensure unity of effort for alliance warfare, and maintain bases for the rapid deployment of U.S. forces. In the meantime, U.S. troops could drastically downsize their footprint and pull back to more defensible bastions in U.S. Pacific possessions or the continental U.S. The savings enabled by a lower or eliminated cost-sharing regime would

allow Japan to reinvest in their military capabilities vice contracting the U.S. to provide that service.

### **Conclusion**

Military cost and burden-sharing have impacts beyond the merely military-to-military and overall national security elements. They are intertwined with all elements of country-to-country interactions and can, therefore, be a litmus test for the health of the alliance. In many ways, the U.S.-Japan alliance is stronger than ever, but step changes in Japanese defense posture are not likely to be spurred on by unrealistic, transactional demands in cost-sharing. Great Power Competition in the Pacific may require the U.S. to accept a level of military cost and burden-sharing beyond what is acceptable in other theaters or alliances in exchange for the benefits of leveraging other aspects of Japanese national power to achieve long term success vis à vis China.

On balance, the U.S. must first recognize the significant cost-sharing outside of the SMA, which is far beyond that present in other alliances. Japan can and should be encouraged to contribute more indigenous capability to the alliance, although not necessarily solely through monetary means. Instead, a model similar to the U.S.-U.K. “special relationship” could be transposed to the Pacific. In many respects, this would be a return to the Japanese capability contributions against the Soviet Union during the Cold War, albeit in a more complex and lethal environment. Cost-sharing and burden-sharing are parts of the equation and must continue to be, but examining the entire alliance output across the whole of the two governments is critical to this keystone relationship in Asia.

## Appendix A

### The Evolution of the U.S.-Japan Alliance

The U.S.-Japan alliance grew directly out of Japan's defeat in World War II. Initially concerned with providing humanitarian relief for a threatened populace, the U.S. soon realized that a democratic Japan could serve as a critical counterbalance to Communist expansion in the Far East. Simultaneously there were lingering fears that Japan could remilitarize. Therefore, allied occupation forces provided the military power to defend Japan while the country rebuilt. In the 1950s, the two former belligerents signed a peace treaty and also reincarnated the Japanese military in the form of the Japanese Self-Defense Forces (JSDF). The U.S. and Japan signed both a mutual defense treaty<sup>51</sup> and a Status of Forces Agreement (SOFA) in 1960,<sup>52</sup> but, at the time, the costs of forward-stationing U.S. forces remained solely the responsibility of the U.S. government.

In the 1960s and 1970s, with the U.S. preoccupied with the war in Vietnam, President Nixon announced the Guam Doctrine calling on Pacific alliance partners to bear a greater burden for their own defense.<sup>53</sup> With Japan's improved economy, pressure mounted in the late 1970s and early 1980s, for Japan to increase its own organic defense capabilities and assume greater responsibilities not only in their home territories but out to the Indian Ocean and north to the Arctic thus freeing the U.S. to concentrate on the Middle East and the Korean Peninsula.<sup>54</sup> This spurred JSDF modernization throughout the 1980s, with Japan taking a more direct yet niche role (e.g., Anti-Submarine Warfare (ASW)) as a hedge against the Soviet Union. Japan also invested heavily in, and in some cases co-developed, U.S. military technology, but there was no change to the pacifistic nature of the Japanese constitution, which limits the deterrent effect of their forces.

Throughout the 1990s and 2000s, the alliance functioned in relative stasis with the notable exception of the high-profile rape of an Okinawan schoolgirl in 1995<sup>55</sup> which led to the Special Action Committee on Okinawa (SACO) in 1996 and the Defense Policy Review Initiative (DPRI) in 2006.<sup>56</sup> Ostensibly designed with the dual purpose of reducing the burden of the U.S. military presence in Okinawa and other mainland areas while also optimizing the alliance for the 21st Century, it nevertheless became a politically charged process with continued Japanese domestic political infighting between the central government and Okinawa prefecture.<sup>57</sup>

Through the DPRI process, Tokyo paid for significant infrastructure upgrades to existing bases, the shift of the Navy's carrier air wing from Atsugi to Iwakuni, movement of Marine Corps Air Station Futenma to Henoko (underway), the relocation of 8,000 Marines from Okinawa to

<sup>51</sup> "Treaty of Mutual Cooperation and Security Between Japan and the United States of America," 19 January 1960, accessed 3 September 2019, <https://mofa.go.jp/region/n-america/us/q&a/ref/1.html>.

<sup>52</sup> "Agreement Regarding the Status of United States Armed Forces in Japan" 29 January 1960, accessed 3 September 2019, <https://www.mofa.go.jp/region/n-america/us/q&a/ref/2.html>.

<sup>53</sup> J.L.S. Girling, "The Guam Doctrine," *International Affairs* 46, no. 1 (1970): 49-50, accessed 16 January 2020, JSTOR.

<sup>54</sup> Larry Niksch, "Defense Burden-Sharing in the Pacific: US Expectations and Japanese Responses," *Asian Affairs: An American Review* 8, no. 6 (Jul-Aug 1981): 331-333, accessed 3 December 2019, JSTOR.  
Defense Burden Sharing in the Pacific: US Expectations and Japanese Responses – 331 - 333

<sup>55</sup> Kevin Sullivan, "3 Servicemen Admit Roles in Rape of Okinawan Girl," *Washington Post*, 8 November 1995, accessed 12 January 2020, <https://www.washingtonpost.com/archive/politics/1995/11/08/3-servicemen-admit-roles-in-rape-of-okinawan-girl/66326040-1107-4b68-92dd-09dea388cfac>.

<sup>56</sup> *Defense of Japan 2019*, 8.

<sup>57</sup> Yaki Tatsumi, "The Defense Policy Review Initiative: A Reflection," Stimson Center (blog), accessed 14 Jan 2020, <https://www.stimson.org/content/defense-policy-review-initiative-reflection>.

newly constructed facilities on Guam (not yet executed), and multiple land returns. It also called for increased cooperation on missile defense and the creation of new command and control structures.<sup>58</sup> The by-product of DPRI was that U.S. forces in Japan had some of the most up-to-date basing infrastructure in the world, but it also consolidated forces in a handful of “super-bases” potentially making them vulnerable to attack.

Today the alliance is under pressure from multiple directions including the rapidly changing threat environment in the Indo-Pacific, stresses in the Japan-ROK relationship, economic stagnation in Japan, and domestic political turmoil in both Japan and the U.S. The affinity between Prime Minister Shinzo Abe and President Donald Trump has thus far staved off any significant schisms despite the threat of tariffs<sup>59</sup> that ultimately led to the brokering of a bilateral trade deal (highly favorable to the U.S.) in December 2019.<sup>60</sup>

The alliance has generally had major foreign policy and military policy alignment throughout the last several years with Japan’s National Security Strategy of “Proactive Contribution to Peace”<sup>61</sup> dovetailing off the U.S. National Defense Strategy.<sup>62</sup> Japan’s basic security policy continues a long-term focus on balancing China by leveraging the U.S. military and economic might and new diplomatic and military engagements with Australia, India, and Vietnam.<sup>63</sup>

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<sup>58</sup> “United States-Japan Roadmap for Realignment Implementation,” 1 May 2006, accessed 14 January 2020, <https://mofa.go.jp/region/n-america/us/security/scc/doc0605.html>.

<sup>59</sup> Weston Konishi, “Trump and Abe: The Odd Couple,” *Japan Times*, 23 May 2019, accessed 12 January 2020, <https://www.japantimes.co.jp/opinion/2019/05/23/commentary/japan-commentary/trump-abe-odd-couple/#.Xhs4jS9Olvl>.

<sup>60</sup> Office of the United States Trade Representative, *Fact Sheet on U.S.-Japan Trade Agreement*, U.S. Government Paper (Washington, D.C.: Executive Office of the President, September 2019), accessed 12 January 2020, <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2019/september/fact-sheet-us-japan-trade-agreement>.

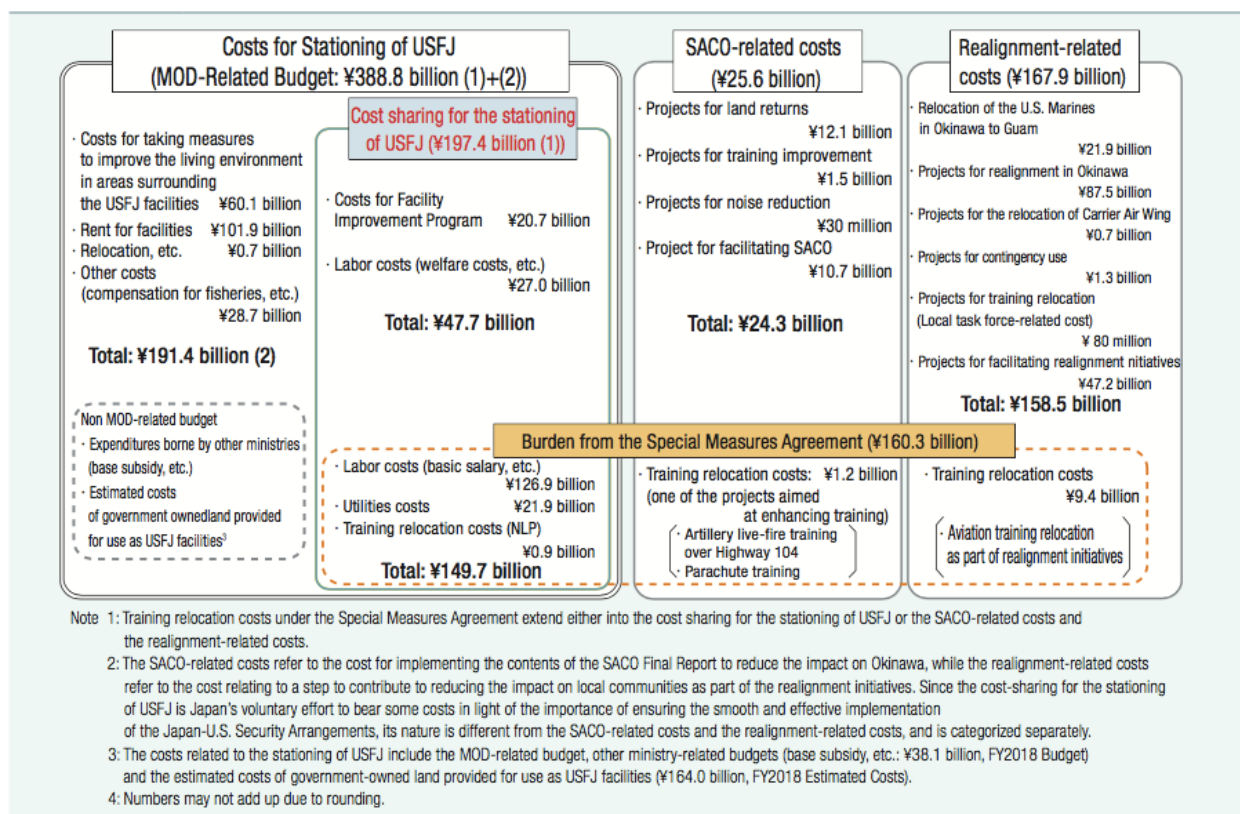
<sup>61</sup> *Defense of Japan 2019*, 49.

<sup>62</sup> *Defense of Japan 2019*, 201.

<sup>63</sup> Kei Koga, “The Rise of China and Japan’s Balancing Strategy: Critical Junctures and Policy Shifts in the 2010s,” *Journal of Contemporary China* 25, no. 101 (18 April 2016): 778-779, doi: 10.1080/10670564.2016.1160520.

## Appendix B

### 2019 Cost-Sharing Outlays<sup>64</sup>



<sup>64</sup> Defense of Japan 2019, 329.

## Appendix C

### 2016 Special Measures Agreement

AGREEMENT BETWEEN  
JAPAN AND THE UNITED STATES OF AMERICA  
CONCERNING NEW SPECIAL MEASURES RELATING TO  
ARTICLE XXIV OF THE AGREEMENT  
UNDER ARTICLE VI OF THE TREATY OF  
MUTUAL COOPERATION AND SECURITY  
BETWEEN JAPAN AND THE UNITED STATES OF AMERICA,  
REGARDING FACILITIES AND AREAS AND  
THE STATUS OF UNITED STATES ARMED FORCES IN JAPAN

Japan and the United States of America:

Confirming that the United States armed forces maintained in Japan under the Treaty of Mutual Cooperation and Security between Japan and the United States of America (hereinafter referred to as "the Treaty") and the Agreement under Article VI of the Treaty of Mutual Cooperation and Security between Japan and the United States of America, Regarding Facilities and Areas and the Status of United States Armed Forces in Japan (hereinafter referred to as "the Status of Forces Agreement"), both signed at Washington on January 19, 1960 (hereinafter referred to as "the United States armed forces"), contribute to the security of Japan and the maintenance of international peace and security in the Far East;

Recalling that, for the purposes of maintaining stable employment of the workers who are employed by Japan and render labor services to the United States armed forces or to the organizations provided for in paragraph 1.(a) of Article XV of the Status of Forces Agreement (hereinafter referred to as "the workers") and ensuring the effective operations of the United States armed forces, various measures were provided for, inter alia, special measures relating to Article XXIV of the Status of Forces Agreement, which sets forth the principles on the sharing of expenditures incident to the maintenance of the United States armed forces in the Agreement between Japan and the United States of America concerning New Special Measures relating to Article XXIV of the Agreement under Article VI of the Treaty of Mutual Cooperation and Security between Japan and the United States of America, Regarding

Facilities and Areas and the Status of United States Armed Forces in Japan, signed at Tokyo on January 21, 2011;

Noting situations involving both countries;

Recognizing that, for the purpose of ensuring the effective operations of the United States armed forces, it is necessary to take new special measures relating to Article XXIV of the Status of Forces Agreement;

Have agreed as follows:

#### Article I

Japan will bear, during the Japanese fiscal years 2016 through 2020, all or a part of the expenditures in paying the following wages to the workers:

- (a) base pay, daily wage of daily employees, special term employees salary, hourly pay temporary employees hourly pay, and theater personnel wage;
- (b) regional allowance, discharge allowance, family allowance, remote area allowance, special work allowance, summer allowance, year-end allowance, cold-area allowance, retirement allowance including retirement allowances for workers separated by the United States armed forces or by the organizations provided for in paragraph 1.(a) of Article XV of the Status of Forces Agreement through reduction in force and for workers whose employment is terminated for duty-connected disability or death due to duty-connected injury or illness, involuntary severance bonus for employees affected by reduction in force, pro rata bonus for employees affected by reduction in force, commutation allowance, conversion allowance, position conversion allowance, night duty allowance, housing allowance, unaccompanied duty allowance, wide-area transfer allowance, overtime pay, hourly pay temporary employees premium pay, holiday pay, night differential, non-work allowance, and daily pay authorized for duty-connected illness or injury for hourly pay temporary employees; and
- (c) allowance for lump sum payment to mariners for unexecuted annual leave, dangerous cargo allowance, engagement allowance, engine room

allowance, engine work allowance, fire-fighting allowance, foreign ship bonus, foreign voyage allowance, labor allowance, reporting allowance, small vessel allowance, tanker allowance, towage allowance, and master and chief engineer allowance.

## Article II

Japan will bear, during the Japanese fiscal years 2016 through 2020, all or a part of the expenditures in paying costs of the following procured for official purposes in Japan by the United States armed forces, or by authorized procurement agencies of the United States armed forces upon appropriate certification:

- (a) electricity, gas, water supply, and sewerage from public utilities; and
- (b) fuels for heating, cooking, and hot water supply not included in (a) above.

## Article III

With regard to training that the United States armed forces conduct using any specific facilities and areas among those facilities and areas the use of which is granted to the United States of America under Article VI of the Treaty (hereinafter referred to as "facilities and areas"), in cases where the United States of America, upon a request of the Government of Japan made at the Joint Committee provided for in paragraph 1. of Article XXV of the Status of Forces Agreement (hereinafter referred to as "the Joint Committee"), changes to the use of other facilities and areas or in cases where the United States of America, upon a request of the Government of Japan made at the Joint Committee as considered appropriate by the Government of Japan, changes to the use of places for training of armed forces of the United States of America in territory under the administration of the United States of America, instead of using the said specific facilities and areas for all or a part of the said training, Japan will bear all or a part of the additional expenditures incident to such changes, provided that the Government of Japan, on making the above-mentioned request, notifies the Government of the United States of America that Japan will bear expenditures in accordance with the provisions of this

Article.

#### Article IV

The United States of America will make further efforts to economize the expenditures referred to in Article I, Article II, and Article III.

#### Article V

Japan will determine, for each Japanese fiscal year, the actual amount of the expenditures that Japan will bear under Article I, Article II, and Article III respectively and will promptly notify the United States of America of such determination.

#### Article VI

Japan and the United States of America may consult on all matters regarding the implementation of this Agreement through the Joint Committee.

#### Article VII

This Agreement shall be approved by Japan and the United States of America in accordance with their respective internal legal procedures. This Agreement shall enter into force on the date when diplomatic notes indicating such approval are exchanged, and shall remain in force through March 31, 2021.

IN WITNESS WHEREOF the undersigned, duly authorized for the purpose, have signed the present Agreement.

DONE in duplicate at Tokyo in the Japanese and English languages, both equally authentic, this twenty-second day of January, 2016.

FOR JAPAN:

岸田文雄

FOR THE UNITED STATES  
OF AMERICA:

Caroline Kennedy

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