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THE CHALLENGES OF COMMON SECURITY: CHOICES FOR U.S.-JAPAN DEFEN--ETC(U)

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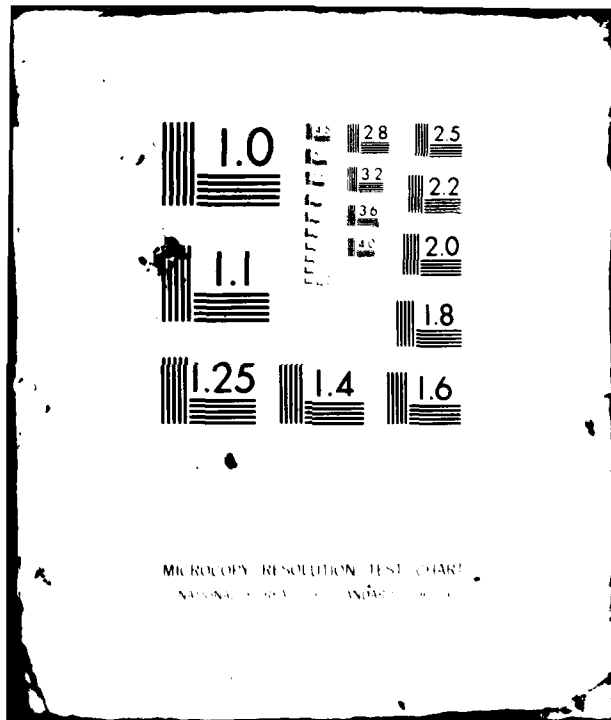
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Choices for U.S.-Japan Defense Cooperation in the 1980s

Richard H. Solomon

September 1981

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**The Rand Corporation
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THE CHALLENGES OF COMMON SECURITY:

Choices for U.S.-Japan Defense Cooperation in the 1980s

Richard H. Solomon*

Will Failure Be Snatched From the Jaws of Success?

For those defense specialists and government officials who worry about the security of the United States and its allies, treaty partners, and friends in Europe and Asia, the daily dose of media doom is more than enough to induce pessimism about the future. Trade imbalances, disputes over levels of defense spending, tensions related to the deployment of weapons systems, and problems of political coordination convey the impression of a potential for collapse of the major alliance systems that emerged from the Second World War. "Creeping neutralism" in Western Europe threatens the integrity of NATO, and disputes over economic issues and problems of adapting the U.S.-Japan security relationship to new global and regional challenges and the altered capabilities of the two partners cloud the future of Asia.

While such contemporary problems demand serious attention, it is important that we address them in the broader context of the positive achievements attained by the U.S. and its allies and friends over the past three decades in areas of defense and economic development, and in comparison with the circumstances faced by our potential adversaries--

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the Soviet Union and its allies in the Warsaw Pact and in Asia.

Using Gross National Product (GNP) figures as an index of overall resource capacity and rate of economic progress, the data in Table 1 indicate that the Soviet Union and its allies in the "socialist camp," despite a slightly higher overall rate of growth, have made scant progress during the period 1966-1978* in closing the great gap in capabilities between themselves and the "market economy" countries associated with the United States. The U.S. and its allies continue to have a resource base three times greater than that of the Soviet Union and its allies; and per capita income in 1978, on the average, was more than twice as high in the market economy states (see Table 2). At the same time, the Soviet Union--relative to the United States--remains a very modest economic presence in Asia (see Table 3), accounting for less than 3% of the imports or exports of all countries of the region except for its closest allies and friends--North Korea, Mongolia, Vietnam, and India.

At least some of the disparity in the GNP figures can be related to the significantly higher levels of military spending pursued by the USSR and its allies over the decade of the 1970s--although centrally managed economies continue to be much less effective in spurring broad-ranging scientific and technological innovation and industrial productivity than their free world competitors. By virtually all measures of military activity (see Table 4), the Soviets have sustained a defense buildup

*Our original intention was to compare the U.S. and Soviet resource base for a fifteen-year period, 1966-1980. Data for the latter years of the 1970s, however, are not yet available.

Table 1

COMPARISON OF "FREE WORLD" AND "SOCIALIST CAMP" RESOURCE BASE

(GNP Figures in Millions of Constant 1974 U.S. Dollars)

	1966	1978	% GROWTH	% OF WORLD GNP	
				1966	1978
NATO ⁽¹⁾	2,132,000	3,116,550	46.2		
Australia	47,400	80,738	70.3		
Japan	227,000	577,343	154.3		
South Korea	7,510	30,569	307.0		
New Zealand	10,300	10,967	6.5		
Philippines	9,030	17,271	91.3		
Thailand	7,570	16,046	112.0		
Total	2,440,810	3,849,484	57.6%	61.6%	58.3%
Warsaw Pact ⁽²⁾	730,800	1,207,120	65.2		
Mongolia	925	800 ⁽³⁾	-13.5		
North Korea	4,400	7,648 ⁽⁴⁾	73.8		
Vietnam	2,270	7,930	249.3		
Total	738,395	1,223,498	65.6%	18.6%	18.5%

(1) Belgium, Canada, Denmark, West Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Turkey, United Kingdom, and the United States. Despite France's withdrawal from NATO in 1966, she is included in the computation.

(2) The Warsaw Pact consists of Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, and the Soviet Union.

(3) Available data show a steady decrease of Mongolia's GNP during the period 1966-1975. The figure used here is for 1975.

(4) The figure is extrapolated from the data available for 1966 and 1976.

SOURCE: World Military Expenditures and Arms Transfers, 1966-1975, 1969-1978, Washington D.C., U.S. Arms Control and Disarmament Agency.



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Table 2COMPARISON OF "FREE WORLD" AND "SOCIALIST CAMP" PER CAPITA RESOURCESGNP Per Capita (In Constant 1974 U.S. Dollars)

<u>NATO Members & Asian Allies</u>	<u>1966</u>	<u>1978</u>	<u>Percentage of Growth</u>
Australia	4080	5686	39.3%
Belgium	3740	6613	76.8
Canada	4920	6812	38.4
Denmark	4680	7076	51.1
Federal Republic of Germany	4730	7154	51.2
France	3520	5834	65.7
Greece	1420	2409	69.6
Iceland	5470	7559	38.1
Italy	1970	2777	40.9
Japan	2280	5024	120.3
Republic of Korea	254	794	212.5
Luxembourg	4580	6691	46
Netherlands	3720	5964	60.3
New Zealand	3820	3538	- 7.3
Norway	4340	6937	59.8
Philippines	271	371	36.9
Portugal	849	1435	69
Thailand	233	354	51.9
Turkey	568	904	59.1
United Kingdom	2860	3570	24.8
U.S.	5810	7111	22.3
<u>Warsaw Pact Members & Asian Allies</u>	<u>1966</u>	<u>1978</u>	<u>Percentage of Growth</u>
Bulgaria	1410	2001	41.9%
Czechoslovakia	2610	3399	30.2
German Democratic Republic	2470	3501	41.7
Hungary	1740	2230	28.1
North Korea	349	422	20.9
Mongolia	827	554 (1975)	-33
Poland	1530	2309	50.9
Romania	1420	2331	64.1
Soviet Union	2340	3540	51.2
Vietnam	113	155	37.1

SOURCE: World Military Expenditures and Arms Transfers, 1966-1975, 1969-1978, Washington D.C.: US Arms Control & Disarmament Agency.

Table 3

SOVIET AND AMERICAN TRADE WITH ASIAN COUNTRIES (1979)
(Figures expressed as a percentage of the total imports and exports of the individual trading partner)

Country	SOVIET UNION		UNITED STATES	
	% of Partner's Total Imports	% of Partner's Total Exports	% of Partner's Total Imports	% of Partner's Total Exports
AUSTRALIA	0.39	3.01	21.83	12.77
BURMA	0.42	0.24	4.48	3.11
CHINA, PEOPLE'S REPUBLIC OF	1.29 ¹	1.23 ¹	11.69 ¹	4.40 ¹
INDIA	6.13	10.71	10.01	13.48
INDONESIA	0.17	0.35	13.57	25.19
JAPAN	1.57	2.39	16.00	27.53
MALAYSIA	0.11	2.20	12.32	20.39
MONGOLIA		85.00 (two-way)	0.0	0.0
NEW ZEALAND	0.15	4.17	11.63	16.90
NORTH KOREA	45.82 (1977) ²	61.33 (1977) ²	0.0	0.0
PHILIPPINES	0.12	1.81	23.92	36.01
SINGAPORE	0.12	1.26	13.03	11.41
SOUTH KOREA	0.02	0.01	20.63 ³	28.86 ³
TAIWAN	0.0	0.0	22.90 ³	35.00 ³
THAILAND	0.11	0.62	13.33	12.22
VIETNAM	49.90 (1978) ⁴	74.63 (1978) ⁴	0.11	0.33

SOURCES: Unless otherwise noted, all figures have been computed from data in *Direction of Trade Year Book, 1980*, International Monetary Fund, Washington, D.C.

1. *China: International Trade Quarterly Review*, Fourth Quarter, 1979, CIA, NFAC, ER-CIT, 80-003, May 1980, pp. 10 and 12.
2. *Present State of DPRK Economy, Foreign Trade*, Korean Affairs Report, No. 73, JPRS #75438, April 4, 1980, pp. 31 and 33.
3. *Review of Relations with Taiwan*, Statement by Richard Holbrooke before the Subcommittee on Asian and Pacific Affairs of the House Committee on Foreign Affairs on June 11, 1980, p. 3, Department of State, Washington, D.C.; *Industry of Free China*, Vol. 53, No. 4, p. 147, Taiwan: Economic Construction Commission, Executive Yuan.
4. *National Basic Intelligence Fact Book*, January 1980, CIA, GC-BIF, 79-001, pp. 210 and 133; *USSR Foreign Trade in 1978*, Statistical Handbook, Moscow, 1979, pp. 200, 203, 223, and 230. Dollar-Ruble Commercial exchange rate of 1.47 (1978) and 1.36 (1977) computed by A. Becker.

Table 4

US and Soviet Defense Activities

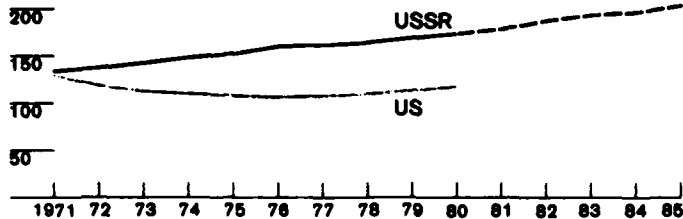
Dollar cost of Soviet activities and US defense outlays

Dollar cost of Soviet activities as a percent of US defense outlays

Total (with RDT&E)

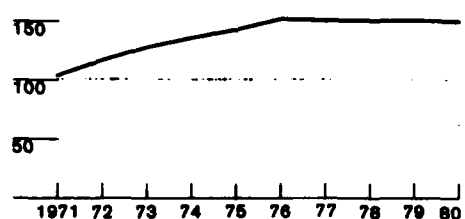
Billion 1979 dollars

250



Percent

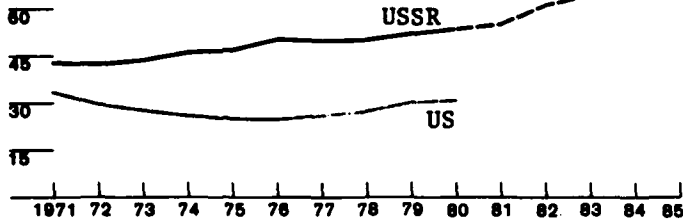
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Investment

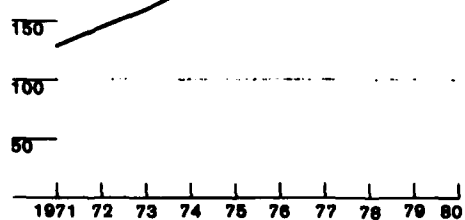
Billion 1979 dollars

75



Percent

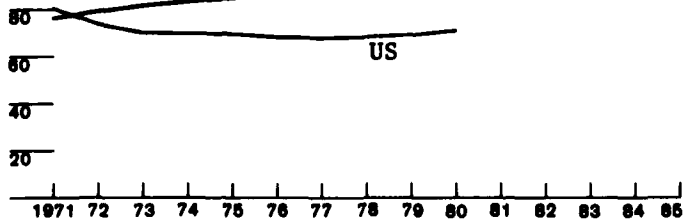
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Operating

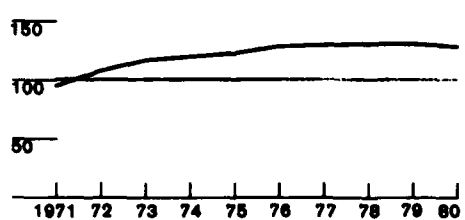
Billion 1979 dollars

100



Percent

200



Cumulative Costs, 1971-80

US

USSR



Investment includes all costs for the procurement of military hardware and the construction of facilities. Operating includes all personnel-related costs (with the exception of pensions) and all costs associated with the operation

and maintenance of weapon systems and facilities. RDT&E includes the costs of exploring new technologies, developing advanced weapon systems, and improving existing systems.

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Source: Soviet and US Defense Activities, 1971-80: A Dollar Cost Comparison, CIA, NFAC, SR 81-10005, January 1981.

that surpasses the comparable U.S. effort. Total Soviet defense spending over the decade was 40% higher than comparable U.S. outlays. Investment in the procurement of weaponry and military facilities was 75% higher than U.S. expenditures. And military research and development was 50% higher than the U.S. effort. This investment has enabled Moscow to attain "rough strategic parity" with the United States and significant preponderances of conventional and theater nuclear weaponry in Europe, the Middle East, and Southwest Asia.

In East Asia, the Soviets continue to build a military presence of more than 50 ground force divisions, over 80 modern naval combatants, and nearly 2,500 attack and air defense aircraft which now challenges the security of the sea lanes, implicitly threatens all regional states (and U.S. bases in the area) with theater nuclear weapons, collects intelligence, and can transport weaponry and supplies to an ally such as Vietnam.

Moscow's global military capabilities, in the face of a sluggish response from the U.S. and its allies, have been used to achieve a series of uncontested Soviet or proxy military interventions in Africa, the Persian Gulf, and Asia from Angola, Ethiopia, Somalia, and South Yemen in the mid-1970s to Afghanistan, Indochina, and Japan's northern territories at the end of the decade.

Thus, the U.S. and Japan face some great ironies in assessing their future foreign policy and defense requirements. On the one hand, the USSR and its allies have accumulated a military capability which has been used to advance Soviet interests by use or threat of force: yet Moscow has built its power on an economy which is lopsided in the

defense sector and which now faces declining productivity and limited technological innovation, labor shortages, and the potential for political unrest that is most evident today in Poland. On the other hand, the U.S. and its treaty and trading partners are faced with the challenges of success in civilian economic development: sustaining a defense system relative to the Soviet challenge which will protect our collective interests; managing the international and domestic strains of economic progress; and preventing the problems born of rapid economic growth from poisoning the political relationships that underlie the treaty and trading system which, since the late 1940s, has generated so much technological progress and such high standards of living.

If we fail to manage these problems of success, our security and the vitality of our economies, will be placed in jeopardy.

The Security of Asia: A Condominium of the Superpowers
or Rival Coalitions?

Asia, as much as any region of the world, has been both the source and subject of these paradoxical economic and security trends. The economies of Asia--with Japan, South Korea, Taiwan, Hong Kong, and Singapore leading the way--have been the most dynamic in the world, and the region, since the mid-1970s, has surpassed Europe as America's largest trading area. Yet market rivalries and the strains between the lesser and more rapidly developing countries inhibit the evolution of regionalism.

Asia has also been the focus of vigorous Soviet military developments: the buildup along the Sino-Soviet frontier initiated in the mid-1960s, the more recent deployments of new naval strength, long-

range aviation for surveillance, transport, and anti-shipping operations, and SS-20 "theater" nuclear missiles. This Soviet military buildup, originally inspired in the mid-1960s by political tensions between Moscow and Peking, came to stimulate the most profound change in international relations of the post-War era: China's shift in the 1970s--following the 1968 Soviet invasion of Czechoslovakia and the Sino-Soviet border clashes of the following year--from hostility to both "superpowers" toward alignment with the United States, Japan, and Western Europe. This development, in turn, has stimulated Soviet fears of an entente of the U.S., China, and Japan joining with NATO to present the USSR a strategic challenge on two frontiers. As a result, Moscow not only has sustained its military buildup in the region but also is attempting to expand its alliance and base system--as in Indochina and Afghanistan--while seeking ways to break up this slowly developing entente.

Moscow's concern with its conflict with China was initially expressed to the non-socialist world in Brezhnev's call of June, 1969 for the formation of an Asian Collective Security system. His appeal found virtually no takers among either the socialist or non-communist states, however, as it was seen merely as an effort to isolate China. As Peking moved closer to the U.S., Western Europe, and Japan in the first half of the 1970s, in response to the growing Soviet military threat, Brezhnev sought to draw Presidents Nixon, Ford, and Carter into a dialogue on the "problem of China"--in effect, appealing for a great power condominium in Asia. His approaches, which were rejected by the three Presidents, continue to this day in the suggestions of Soviet

specialists on international affairs to their American counterparts that the two countries "solve the problems of Asia together."

China has countered Soviet efforts to isolate her in the region with the call for formation of a united front to counter Moscow's "hegemony." While this appeal has not been received with great enthusiasm in the U.S., Japan, or other states of the region, China has succeeded in establishing normal political and economic relations with the non-communist world, in large measure because of shared concerns about the growth and expansion of Soviet power. China's transformation during the 1970s from a hostile to a friendly power has greatly enhanced the international position of the U.S. and its allies and friends in Asia and Europe. A major strategic front has been unburdened, and in Asia all the past tensions in U.S.-Japan relations associated with America's confrontation with "Communist China" were relieved as both countries established normal relations with Peking.

As the 1970s ended, however, Asia was once again polarizing around the Sino-Soviet feud and Soviet-American rivalry. As a result of Moscow's support of Vietnam's invasion of Cambodia, the Soviet military takeover of Afghanistan, and the garrisoning of Japan's Northern Territories, the U.S. and China moved from strictly political contacts into the realm of defense cooperation. The ASEAN states held firm against the threat of Vietnamese military action in Indochina and Soviet use of air and naval bases there, while Moscow heightened its level of involvement in South Asia with a \$1.6 billion arms sales agreement with India in 1980. The region was thus more sharply divided: Mongolia, Vietnam, and Afghanistan, and--to a lesser degree, India--were aligned

on the Soviet side; while the U.S. position, still grounded on the treaty relationships with Japan, South Korea, the Philippines, Thailand, and the ANZUS states, was reinforced by the closer tie with China.

The U.S. and its Asian treaty partners have been slower than either the Soviets or Chinese in formulating a concept which would give direction to their defense planning and economic relations. This reflects uncertainty about how close an association to develop with China (especially in matters of defense), a reluctance to polarize the region and heighten tensions with the Soviet Union, and the inherent diversity of the "loose Oceanic alliance" centered around the United States. There is, as yet, no consensus about whether our collective objective should be to actively resist the further expansion of Soviet influence in Asia, or whether we should merely seek to establish a countervailing balance to Moscow's growing military capabilities while accommodating Soviet interest in attracting economic investment and developing trade and political/cultural relations. There is agreement, however, that Brezhnev's idea of an Asian Collective Security arrangement is inappropriate to the region, and that there should be no condominium of the great powers. Thus, Asia in the 1980s will continue to see the play of efforts to build rival coalitions between the Soviets on the one hand, and the U.S. and its allies and friends on the other.

The only conception of a regional organization to emerge in U.S. and Japanese discussions of Asian problems in recent years is that of the Pacific Basin Community. This concept is largely economic in content, reflecting the vitality as well as the problems of regional trading patterns. It has been largely divorced from any notion of a

regional security association, as has also been the case with the ASEAN idea. Yet the Pacific Basin Community concept has found little support beyond certain public figures in the U.S. and Japan due to the fears of smaller states of the region that their economic interests would be constrained by the great weight of influence of Japan and the U.S., as well as by uncertainties about how extensive the membership of such an organization should be. Nonetheless, Moscow watches with concern the potential evolution of an association that would restrict Soviet influence in Asia, and that might in time be transformed into a broad security coalition.

If recent history is any guide to the future of the idea of the Pacific Basin Community, it is that Soviet military pressures--whether direct, as in Moscow's takeover of Afghanistan, or by proxy, as through Soviet support for Vietnamese or Indian regional ambitions--will provide the greatest incentive for closer forms of association. Yet we cannot take for granted the ability of the market economy states to cooperate more closely in response to Soviet challenges to our collective interests. Economic competition, and differences in perspective on the nature of the Soviet threat and appropriate responses to it, may produce divisions rather than closer association.

Meeting the Challenges of Common Security: Choices for Coalition-Building

Several things should be said about the nature of the Soviet challenge that will help define appropriate responses to it. First, it is largely military in quality and global in character. A serious degradation in NATO's capacity, or will, to respond to Warsaw Pact

military capabilities will have an impact on Asia inasmuch as a weak NATO will enable the Soviets to redirect attention and resources to other theaters. Similarly, Soviet initiatives in Africa or the Middle East/Persian Gulf which would threaten U.S., Western European, and Japanese access to critical minerals and petroleum resources, will place in jeopardy the interdependent economies of the free-market states. Thus the security of Asia must be reckoned in a global perspective and in terms of the interdependent security needs of the Free World states.

Second, while the Soviet challenge is largely military in character, the response of the U.S., Japan, and Western Europe must not be a simple-minded approach of matching aircraft for aircraft or tank for tank. We must not blindly put so much effort into military modernization that we undercut the advantages of our superior civilian technological and industrial capabilities. Indeed, these capabilities should give us cost-effective ways of countervailing or neutralizing Soviet military capabilities in what, inevitably, will seem a more defensive or reactive approach to defense than characterizes Soviet military planning. But it will preserve our balanced economies and the political support of our people.

All the same, we must recognize that the Soviet Union's attainment of "strategic parity" will very likely lead to more active Soviet assertiveness in vulnerable theaters (such as Southwest Asia) or support for proxy interventions in unstable Third World countries.

The Soviet Union is hardly the sole source of challenges to Free World interests. Rivalries in the developing world, the power of OPEC, and so on, will continue to generate problems. Yet we must recognize

the record of Soviet willingness to intervene in areas of concern to us, whether it be Latin America, Africa, or Indochina, in order to cause diversionary troubles or just to take advantage of opportunities to expand the influence of the USSR. In short, the United States and its allies and friends must meet the challenge of Soviet strategic power along a broad spectrum of competitive activities. Our superior technological and industrial capabilities, and our ability to build a global coalition of states with complementary interests, can provide answers to our security dilemmas.

What does a broad program of political, economic, and military cooperation which will protect U.S. and Japanese interests require? In terms of strategic nuclear forces, the United States will bear the burden of force modernization in the face of increasingly accurate and numerous Soviet ICBM warheads. The need for invulnerable U.S. strategic forces will be met through a series of new weapons programs: the MX missile system, the production of new Trident submarines and their associated missiles, a new manned bomber program, development of various cruise missile systems, and through improvements in the security of our command, control, communication, and intelligence (C³I) capabilities.

The exact form and size of several of these programs are only now being fixed by the Reagan administration; but it seems clear that the United States, during the 1980s, will undertake the necessary force modernization programs to prevent "strategic parity" from turning into a "strategic vulnerability" which would give Moscow the ability to intimidate or paralyze responses by the U.S. and its allies to Soviet adventures at lower levels of the spectrum of force.

Japan and Western Europe, by all evidence, are inclined to remain under the protection of the American nuclear umbrella. Thus, the U.S. has a responsibility beyond its own immediate security to maintain an effective nuclear deterrent. The People's Republic of China (PRC), on the other hand, can be expected to gradually strengthen its independent nuclear force. The U.S. will not participate directly in China's nuclear modernization program; yet other forms of U.S.-PRC cooperation may help the Chinese to strengthen the security of their nuclear deterrent. Sales of early warning radar components and other C³I-relevant technologies could improve the security of Peking's strategic forces, and thus enable PRC leaders to resist Soviet military pressures. And to the extent that China can play a more active role in countering Soviet challenges to its own interests--as in Indochina or Afghanistan--the more varied and complex will be the strategic and conventional security problems faced by Moscow in Asia, as well as on the NATO and strategic American fronts.

Recent Soviet deployments of mobile SS-20 medium-range nuclear missiles and nuclear-capable "Backfire" bombers to the Soviet Far East have placed all the countries of the Asian region--as well as American bases there--under threat of "theater" nuclear attack. The deployment of U.S. sea-launched cruise missiles (SLCMs) to the Western Pacific will be important to neutralizing this threat of a limited Soviet nuclear attack and thus securing our allies and our air and naval facilities in the region. To the extent that Japan and the Philippines make possible the effective operations of the U.S. Seventh Fleet, they will contribute to the neutralization of Moscow's enhanced theater nuclear capabilities.

Conventional force modernization, and the transformation of the U.S.-Japan Mutual Security Treaty into a genuine defense partnership, will require special attention in the 1980s because of continuing Soviet force improvements in Asia and in other theaters, and because of past neglect by the U.S. and its allies. Such defense cooperation will take place within a context of the Reagan administration's commitment to strengthen U.S. naval forces, including the construction of three more aircraft carriers and substantial increases in guided missile cruisers and attack submarines.

There seems to be a consensus among American and Japanese defense specialists that the focus of modernization efforts within the framework of the Mutual Security Treaty will be in the areas of air defense and anti-submarine warfare capabilities. Also required are improvements in the ability of Japan's three self-defense services to engage in joint operations (as would be required in defending Hokkaido against a Soviet attack from the now-garrisoned Northern Territories), as well as strengthening the ability of Japan to operate its forces in conjunction with the U.S. and its other Asian allies (as has now been undertaken in the series of RIMPAC joint military exercises).

One need not elaborate on the various familiar political and economic sources of resistance to these conventional defense modernization efforts. What one can say is that the effects of several years of U.S. hectoring of Japanese officials to increase the level of defense spending, in conjunction with continuing economic tensions between the two countries, threatens to degrade otherwise productive relations between Washington and Tokyo. I believe the excessive

focusing of attention on the issue of the percentage of Japan's GNP devoted to defense spending is inappropriate from the perspective of building public support for a defense modernization program. Rather, we should shift the terms of public debate to the nature of the security challenges we face, and on the enhanced capabilities that are required to meet them. Building new capabilities, of course, will require spending money, and our governments will assess the costs of developing these capabilities in relation to other national priorities and problems. But a "threat and response" form of casting the public defense debate is preferable to one which makes security appear to be simply a matter of increasing yen or dollar expenditures.

China will very likely play an increasing role in conventional defense against the more than 50 Soviet ground-force divisions and over 2,500 tactical and long-range aircraft now deployed in the Soviet Far East. Moscow's military buildup in its Asian provinces over the past sixteen years was initially designed to counter Peking's challenge to the existing Sino-Soviet border demarcation if not to intimidate the Chinese leadership. Yet now that this force is in place, the People's Liberation Army "ties down" these Soviet divisions, making it difficult for Moscow to redeploy them to other theaters, such as the Middle East/Persian Gulf. The effectiveness of China's ground armies is thus useful to the U.S. and Japan to the extent that the Soviets cannot dismiss these forces as inconsequential and "swing" their own troops elsewhere, and to the degree that China has the confidence to stand up to Soviet pressures--as Peking did when it decided to "teach Vietnam a lesson" or to assist Afghani guerrillas.

U.S.-PRC military cooperation, to the extent that it develops in the coming decade, is likely to focus on improving China's defenses against Soviet tanks and aircraft. PRC leaders, operating with a constrained (and recently reduced) defense budget, have placed a very low priority on naval modernization; and it is unlikely that the U.S. would help Peking develop the kind of air transport and attack capabilities that would enable the People's Liberation Army to threaten the security of our other Asian allies and friends. But where the Soviet Union or its proxies engage in direct military expansion threatening to American and Chinese interests, as in Cambodia and Afghanistan, Washington and Peking may seek common or coordinated measures to frustrate or deter Soviet adventures.

There are a range of non-military activities where the United States and Japan, and China can take mutually supporting actions that will strengthen common security interests. Coordination of efforts for dealing with such issues as Korean security, Soviet involvement in Afghanistan, or the future of Indochina will serve the interests of all three countries even if they adopt differing policies. In this regard, the U.S. has a special responsibility to improve its record of consultations with allied and friendly governments.

In the economic area, Japan's notion of "comprehensive security" has usefully directed economic assistance to such key countries as Pakistan, Turkey, and Egypt. To be effective in gaining recognition as a contribution to the common cause, however, it is important that the size and character of such assistance be commensurate with Japan's economic capabilities and more than a matter of developing its own trading interests.

Japan and the U.S. will also be able to pursue common economic and security goals through technical assistance and educational programs that will stimulate the economic modernization of China and the ASEAN states. Such programs will be most effective if they are based on broadly shared guidelines regarding trading patterns, energy security, etc. In this regard, the recent decision of the U.S., Japan, and the European Common Market at the July, 1981 Ottawa summit to hold three-way trouble-shooting discussions on problems of trade and investment is an important development. Similar efforts are likely to be needed to deal with trade and investment problems in Asia--which was one of the impulses behind the idea of an OPTAD, an Organization for Pacific Trade and Development.*

Policy Guidelines: Leadership, Coordination, Balance

The foregoing discussion has tried to emphasize both the common security challenge faced by Japan and the United States and the nature of the defense program that seems required of a coalition of friendly or allied powers if the Soviet military threat is to be effectively neutralized. We have also tried to give some sense of the positive progress in economic development and high living standards that we have to protect, and the technological and industrial resource base that we have available to us. Yet it is evident that the civilian and consumer

*See, An Asian-Pacific Regional Economic Organization: An Exploratory Concept Paper, Committee on Foreign Relations, U.S. Senate, July 1979.

orientation of the market economy states, and the powerful roles of public opinion and open political processes in governmental decision-making, impose significant constraints on military spending and defense preparedness.

If we are to attain broader consensus on an appropriate security program for the United States, Japan, Western Europe, and other friendly states, and implement the kind of defense program sketched out earlier, a number of policy guidelines require heightened emphasis:

1. The importance of political leadership. While military and political leaders in the U.S. and Japan seem to share common views of defense problems and programs, there are significant difficulties in gaining support for heightened defense efforts in the mass media and the Diet and/or Congress. Strong and coherent leadership by officials of the executive agencies of government is required to broaden support for programs which will enhance security capabilities and cooperation. It is important to recognize that crisis situations are usually the context within which major increases in public support for defense programs occur--as we saw several years ago after the Soviet invasion of Afghanistan. Thus, prior to such crises our leaderships must lay the groundwork for enhancing common security efforts if we are to take vigorous action when some crisis heightens public awareness of the Soviet challenge.

2. The need for policy coordination. Gone are the days when the United States was the predominant military and economic power and the preeminent political voice among its allies. While American leadership is still recognized, the growing power of other countries within the

Free World coalition, and the more evident interdependence of its members, requires more effective forms of genuine policy consultation. The United States has a particular responsibility in this regard.

3. The need for balanced security relations. It is important for many reasons that there be balance among the contributions of the U.S. and its allies and friends to complementary security efforts. Over the coming decade the U.S. will work with the People's Republic of China to strengthen its defenses and improve its scientific and managerial manpower. As China becomes a more significant military presence in the Asian region, it is important that Japan concurrently increase its own defense capabilities.

In stressing the issues of leadership, coordination, and balance within the coalition of free world countries, there are three policy issues where these factors will be particularly important in developing a sense of common objective and strategy--or lead to significant policy strains if they are not handled in a coordinated way: China policy, dealings with the Soviet Union, and the most effective use of our technologies and industrial capacities.

Regarding China policy, it is imperative--if the U.S.-Japan tie is to remain the cornerstone of our respective political and security relations--that we develop a common conception of where the PRC fits into a larger security effort, and that we keep each other effectively informed of specific developments. Again, the U.S. has particular responsibility for taking the lead in such consultations. We are likely to pursue a "step-by-step" pattern of advances in security cooperation

with the Chinese in coming years, with major increments in activity undertaken in reaction to Soviet adventures abroad or heightened Soviet military pressures. But such activity with the Chinese should be based on a shared Japanese and American sense of a security strategy for Asia and policy for dealing with the USSR.

The Soviet Union no doubt will pursue efforts to sow dissension among the U.S. and its allies, and between the various members of the broader coalition of states that has begun to coalesce since the early 1970s in response to Moscow's more aggressive role in the world. This will include incitement of anti-military sentiments held by various public groups, and manipulation of economic incentives. We should develop common approaches to dealing with the Soviets that include not only the kinds of defense preparations mentioned above, but a range of positive incentives for a less threatening Soviet role in the world. In this regard, economic investment in the Soviet Far East, which is important to Moscow's long-term development plans, provides the U.S. and Japan with important opportunities for constructive policy coordination and "linkage" to Soviet military actions in Asia. But there is also the danger of giving the Soviets "reverse economic leverage" over us if we invest heavily in projects which give Moscow a controlling position over key resources or repayment arrangements.

Finally, where our superior technological and industrial capabilities can be used to build a more effective defense and a higher standard of living, they can also generate destructive competition which will degrade political relationships. It is heartening to see current efforts to form institutional mechanisms which will manage effectively

the rich human and industrial resource base which is the common bond of the U.S.-Japan relationship, for in such joint efforts lie realization of the shared aspirations of our peoples as well as solutions to our common security needs.

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