

TESTIMONY OF RANDALL G. SCHRIVER
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PRESENTED: TUESDAY, MAY 24TH 2011

HOUSE COMMITTEE ON FOREIGN AFFAIRS: SUBCOMMITTEE ON ASIA AND THE PACIFIC

DONALD A. MANZULLO (R-IL), CHAIRMAN

ENI FALEOMAVAEGA (D-AS), RANKING MEMBER

Mr. Chairman and esteemed committee members, I would like to express my sincere appreciation for the opportunity to address this committee and briefly discuss the future of Japan and the U.S.-Japan Alliance – a true strategic partnership.

Let me begin with an expression of condolence and support to friends in Japan. Although over two months have passed since Japan suffered one of the largest and most devastating natural disasters in recent memory, many Japanese citizens are still struggling and remain in dire circumstances. Our thoughts and prayers are with the people of Japan.

The world watched with great admiration as the Japanese people persevered through the tremendous challenges and adversity confronting their nation. Their fortitude and stoic resolve in the face of such great hardship is truly inspiring.

And while we should by no means underestimate the magnitude of this disaster or the impact of its devastation, we should also be clear about one thing – Japan will recover and reconstitute. Japan is a great nation, a great society and a great culture. The people of Japan have found new opportunity and prosperity in the ashes of past tragedy. And we are witnessing once again the dignity, patience, and benevolence of the Japanese in the aftermath of this tragedy. Their response gives us all good reason to be confident in their resilience and prospects for recovery.

That said, it is appropriate to ask the very legitimate questions about the pace of Japan's recovery, and its ultimate trajectory as a global political and economic power. Japanese leaders have important decisions to make at this critical juncture. And it is not hyperbole to state that decisions made today could very well determine whether Japan slides into a middling power status with limited reach and influence, or whether Japan will once again ascend to a position of regional and global leadership. Japanese leaders were confronting difficult choices even before the triple disasters of March that would impact its trajectory in either of the aforementioned directions. But now in the aftermath of the disasters, the imperative for action is much clearer, and a sense of urgency is rightfully pervasive. Japan, and thus our alliance, has arrived at an inflection point.

We should be clear about one more matter before discussing recent events in greater detail – it is in the interest of the United State for Japan to recover quickly, and to find opportunity out of this crisis to emerge as a stronger, more confident alliance partner. In light of Japan's alternative futures

described above, the United States should do all that we can to promote Japan's swift return to a leadership, great power status.

I have been asked to discuss the impact of the recent natural catastrophes on Japan's domestic economy, political system, and the subsequent implications for the region. I aim to address what I see as Japan's short and mid-term reconstruction goals, the role the United States should play going forward, the impact of the crisis on regional dynamics, and the overall strategic importance of the U.S.-Japan alliance.

In the short-run the Japanese government is focused on resettling families and individuals displaced by the disaster into permanent housing, ensuring food and water supplies, reconstructing ports and roads, and reopening refineries. Looking forward, Japan needs to engage in a serious dialog about the future of its domestic energy production, weighing the benefits and dangers of nuclear power, and exploring the feasibility of alternative forms of energy creation. Currently, the IAEA reports that nuclear power accounts for roughly 30 percent of Japan's electricity production. Pre-crisis planners had hoped to increase that to 50 percent by 2030, but plans to build fourteen new nuclear reactors over the next twenty years have been put on hold. Renewable energy, mainly in the form of geothermal, solar, and wind power, accounts for only 2.4 percent of present electricity production, making any sweeping transition away from conventional fossil fuels unlikely in the near future.

Japan will most likely fall back on imports of liquid natural gas (LNG) and coal to fill the void left by nuclear power, while simultaneously attempting to transition to cleaner forms of renewable energy. Domestic supplies of coal and LNG are not sufficient to compensate for their electricity capacity shortfalls, so Japan will be forced to substantially increase its energy imports (mainly from Australia). Recent increases in global demand for coal (prior to the crisis) have placed significant upward pressure on the price of coal and LNG. This trend has only been reinforced by increased demand from Japan. Short-run spikes in energy costs will pose yet another hurdle along their road to recovery.

Japan should prioritize efforts to provide direct recovery assistance to private industry. Such programs could take many forms, but an emphasis should be placed on repairing infrastructure and reestablishing a friendly investment environment for foreign capital. Damaged physical infrastructure, a displaced workforce, uncertain energy supplies, and damaged distribution networks all contribute to the uncertainty surrounding Japan's future. Reassuring investors will go a long way in expediting an economic recovery and bringing it out of its current recession.

The United States should stand ready to assist our ally, and reassure our friend that they will not be abandoned in this time of need. But even further – we should communicate through both words and actions that we have high aspirations for the alliance.

I commend the Obama administration's swift response to the crisis, and for our friends in Congress that enabled the Administration to do so. USAID and the Department of Defense have pledged and delivered millions in humanitarian financial support. Specialized American search and rescue teams

were deployed in the immediate aftermath of the disaster. The U.S. has provided over 227 tons of relief supplies including 60,000 daily servings of food and water, and the U.S. Pacific Command deployed marine units to assist Japanese self-defense forces. As the nuclear crisis was unfolding and other nations evacuated their embassy staff we increased our presence in Tokyo. This did not go unnoticed. It is fitting that our joint assistance operation in support of disaster relief efforts was named "Operation Tomodachi," from the Japanese word for "friend(s)."

Looking forward, it is clear that these recent events present important policy decisions, not only to our friends in Tokyo, but for the United States as well. Even prior to the current crisis some commentators had begun to question the value of our strategic partnership with Japan, forecasting its decline into middle power status as a rising China surpassed it economically and became the region's chief political power. Only time will tell if Japan will emerge from its reconstruction revitalized and reinvigorated, but our aspirations for their swift and complete recovery cannot waiver. In my view, Japan should remain at the core of any American regional strategy. A diminished Japan will inevitably weaken American regional influence at a time when articulating our interests clearly and forcefully could not be more paramount.

Japan and the United States are natural allies, united by common values and shared economic and security interests. Both nations share a belief in economic prosperity based on market principles, value free and open trade, prioritize the protection of intellectual property rights, and maintain high labor and environmental standards. Last year Japan imported over \$60 billion worth of U.S. goods and they are the second largest foreign direct investor in the U.S. economy with about \$259.6 billion in investments in 2009. We share an interest in promoting a Southeast Asia this is a partner in the development of democracy and human rights. A strong Japan serves as a hedge against every probable security threat in the region. Japan has been a strong advocate for the denuclearization of the Korean Peninsula. Japan and the United States have publicly articulated a shared interest in peace and stability in the Taiwan Strait, and the U.S. presence in Japan is key to ensuring the United States can meet our Taiwan Relations Act requirements. And Japan and the United States both understand the value of freedom of navigation though international waters and airspace, to include contended areas such as the South China Sea.

Our robust and dynamic alliance has not only paid dividends regionally. Japan has assisted American liberation and reconstruction efforts in Iraq, and has remained an active contributor to the promotion of peace in Afghanistan. Japan remains the second-largest donor to the United Nations, the World Bank, the International Monetary Fund (IMF), and the Asian Development Bank. This alliance has proved to be nothing but beneficial to our security interests abroad and our economic prosperity at home.

The call for new policy options in Washington that would give Japan a pass and pursue alternative regional strategies may attract some. Japan faces several significant roadblocks to recovery. Increasing death rates and diminished birth rates have earned Japan the highest proportion of elderly citizens over the age of 65 (29.9 percent) of any nation on earth. They have the highest public debt to

GDP ratio of any nation currently 225.8 percent of GDP, and long term deflationary pressures are driving down wages and stifling economic growth. Members of Congress and in the Washington policy community are rightly concerned that these existing concerns coupled with this latest crisis will compel Japan to turn inward and retreat from its role as a regional and global power.

However, uncertainties are not only generated by conditions in Japan. The Japanese are not without their reservations about U.S. commitments in the region. They well-know that American forces are engaged in conflicts in Iraq, Afghanistan, and Libya and that our attention is once again diverted from Asia. They watch as the U.S. engagement of China seems to reflect place of priority and a growing interest in partnering with Beijing to solve regional and global challenges. They see an Administration in Washington that has lost interest in trade liberalization at a time when such efforts are accelerating throughout the Asia-Pacific. And they follow the debate about U.S. budgets and wonder what future defense cuts might mean for the U.S. presence in Asia.

Japan may not have viable alternatives to the United States as a strong partner, and thus the choice may be to turn inward. But some have begun to suggest that this inflection point is an opportunity to reorient Japan's regional and international profile, particularly by strengthening Japan's ties with Beijing. While there is no doubt that China has a role to play in Japan's road to recovery, I'd caution strongly against any thoughts in Japan of a pivot away from the United States and toward Beijing. One needn't look further than the events of 2010 to see that China is at best unreliable, and at worst may be actively seeking a diminished Japan. Last year, China chose to cut-off its supply of rare earth minerals at a crucial time for Japan's economic recovery. China openly backed North Korea after provocative military actions. And China chose to aggressively push sovereignty claims over Japanese objections at a time when they believed there were fissures developing in the US-Japan relationship. China will not be a good friend and partner to Japan.

Thus it is crucial that the U.S. challenges do not divert attention or handicap our activities in East Asia. While the aftermath of the crisis in Japan is largely Japan's to deal with (and they have both the resources and the technical know-how to pursue a robust recovery), the United States can play the role of a strong advocate for Japan and provide the necessary reassurance that Japan remains central to our future in Asia.

It is important that both words and deeds send the right signals to Japan, and to the rest of the region. We can start by making a significant investment of the most precious resource in Washington – the time and attention of our senior most leaders. I watched with some bemusement as the Obama Administration finished another round of the S&ED with China last week, and as our President and over half our cabinet committed considerable time and energy to events that produced very little. Shouldn't we give at least as much attention to our ally in Tokyo during this time of challenge?

The United States should also make the hard decisions that are required for the long term viability of our leadership position in Asia. We should commit the defense resources necessary to be the dominant power in a region where hard power still matters. We should be a leader on trade

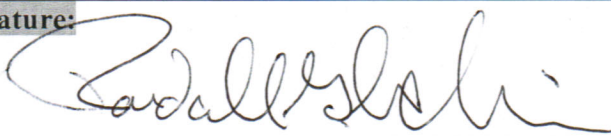
liberalization, not a reluctant participant. And we should continue to push a robust bilateral agenda for our military alliance with Japan – not in an effort to force Tokyo’s hand, but to proudly convey that we have high aspirations and expectation for our alliance.

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

United States House of Representatives
Committee on Foreign Affairs

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1. Name:	2. Organization or organizations you are representing:
Randall G Schriver	Armitage International and Project 2049
3. Date of Committee hearing:	
24 May 2011	
4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered yes to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
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