

**Statement before the House Foreign Affairs Committee,
Subcommittee on Asia and the Pacific**

***“CRISIS AS OPPORTUNITY:
THE FUTURE OF JAPAN AFTER 3-11”***

A Statement by

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The March 11, 2011 triple disaster of a 9.0 magnitude earthquake, a massive tsunami, and then partial meltdown at the Fukushima Dai Ichi reactor has created the greatest crisis Japan has faced since the Second World War. More than 24,000 people are dead or missing, including two young Americans on the Japan English Teacher (JET) program who were living in the stricken Tohoku region. More than 409,000 people have been displaced and over 70,000 jobs lost. Japan's real GDP for the January-March quarter of 2011 fell 0.9% from the previous quarter, or an annualized rate of 3.7% according to a Japanese Cabinet Office report of May 19. The International Monetary Fund (IMF) has lowered its projection for Japanese economic growth from 1.6% to 1.4% for this year. Private economists like Masaaki Kanno of JP Morgan Securities in Tokyo think the economic picture could be even worse, projecting that GDP will only grow 0.8% for 2011.

This tragic blow comes at a time when the Japanese people were already growing frustrated with their political leadership, despondent about the impact of negative debt and demographic trends on an already sluggish economy, and alarmed at new Chinese, Russian and North Korean assertiveness in their backyard. Recovery from "3-11" will force the Japanese government to stretch fiscal resources and reach new political consensus, two things that have been in short supply of late. And yet, the tragedy has also revealed hidden strengths and new resolve in the Japanese society that bode well for the future of the country.

The United States has an enormous stake in Japan's recovery. As a matter of national security and economic strategy, we rely heavily on Japan as the indispensable lynchpin of our forward military and diplomatic presence in Asia and the foundation of a stable strategic equilibrium in the region as Chinese power rises. Japan hosts our major Navy, Air and Marine Corps assets in the Western Pacific. Japan is the second largest contributor to the IMF, the World Bank, the United Nations, Afghan reconstruction and numerous other international efforts at peace building and development. Japan's standing as an advanced economy and democracy has been critical to encouraging other states in Asia to follow the same path, rather than an authoritarian development model. The Republic of Korea, Australia, India and other states in Asia are growing in importance to U.S. foreign policy and to Japan's as well, but no other ally or partner in the region could possibly substitute for what Japan provides in terms of support and influence.

The American people have also demonstrated their personal stake in Japan's recovery. Opinion polls show that Americans have never felt more positive or trusting towards Japan, a remarkable development considering that in the late-1980s Americans feared Japan's economic power more than the Soviet Union. This overwhelmingly positive view of Japan begins at the grass roots level, where hundreds of thousands of Americans have studied in Japan, worked as JETs, or served with the U.S. military --and comparable numbers of Americans have worked for the Japanese companies that began building factories across the United States in the 1980s. According to the Chronicle of Philanthropy, in the first month after the earthquake and tsunami, Americans raised \$250 million for relief and recovery. Numerous U.S. non-governmental organizations like the

Red Cross and Mercy Corps have dispatched experts to help their Japanese counterparts with relief and recovery. My own students at Georgetown University and in schools across the country have taken time out of their studies to organize relief events and sell wrist bands emblazoned with the words “Hope for Japan” to raise cash for the people of Tohoku. This entire experience has been deeply moving for me personally, as I lived and worked for a time in Iwate, one of the three stricken prefectures.

The Center for Strategic and International Studies (CSIS) has also drawn on our expertise to offer assistance as Japan plans for recovery and reconstruction. On April 11 CSIS announced the establishment of the Partnership for Recovery, a task force chaired by Boeing President and CEO Jim McNerney and made up of prominent representatives from the corporate sector, civil society and think tanks. Working in close collaboration with a Special Committee for Recovery set up under Japan’s Business Federation Keidanren, we will examine ways that the United States can assist with Japan’s efforts as the Japanese people rebuild. Our intention is to learn from the intensive planning of our Japanese colleagues and to offer ideas that reinforce Japan’s strategy and reinvigorate our partnership. We have already organized working groups focused on seven areas: disaster relief and preparedness, energy strategy, civil society, economic planning, health, and alliance management. Next month an expert delegation from the CSIS task force will travel to Japan to meet with our Keidanren counterparts and with government and civil society leaders and to travel to the stricken Tohoku region. We expect to put out a series of recommendations in October and interim suggestions along the way and we look forward to briefing the staff and members of this committee on our findings at your convenience.

The CSIS-Keidanren collaboration is just getting underway, but if I may offer my personal observations thus far, I would suggest that Japan faces three great strengths and three significant challenges rebuilding in the months and years ahead.

The first strength is the enormous esteem with which Japan is viewed around the world. The British Broadcasting World Service country rating polls have consistently ranked Japan as among the most respected countries in the world for the past five years. The new survey released on March 7, 2011 saw Japan dip to 5th place, but I would expect that the incredible example of the Japanese peoples’ stoic and steadfast response to March 11 will cause that ranking to rise again. Gallop polling on 100 countries’ performance in the world in 2011 found Japan ranked fourth in terms of worldwide favorability ratings. As UN Secretary General Ban Ki-moon stated on March 11, “Japan is one of the most generous and strongest benefactors coming to the assistance of those in need the world over. In that spirit, the United Nations will stand by the people of Japan, and we will do anything and everything we can at this very difficult time.” Within a week of the disaster, 102 countries and 14 international organizations had sent assistance and the number is even higher today. This includes the richest and poorest nations in the world, among them Afghanistan, where citizens raised money to say thank you after Japan’s economic assistance to that country in its moment of need. Following Japanese media and speaking frequently with Japanese political leaders, I believe this international outpouring has struck a real chord in Japan and will encourage Japan’s

political leaders and people to continue their country's role as a leading contributor to international society.

A second strength that was revealed in this tragedy was the professionalism and effectiveness of Japan's Self Defense Forces (JSDF) and their partnership with the U.S. military. 100,000 JSDF personnel have been involved with disaster relief operations, often in dangerous and difficult circumstances. They were joined by about 20,000 U.S. personnel through Operation *Tomodachi* ("friend"). This teamwork has captured the imagination and appreciation of the Japanese press after a politically contentious and sometimes divisive focus on plans to relocate U.S. forces on Okinawa. More importantly, the operations saved numerous lives in the Tohoku area. This has been the largest joint and combined operation in the history of the U.S.-Japan alliance. Particularly illustrative to friends and foes alike was the speed with which U.S. and Japanese forces put a badly damaged Sendai airport back in service. The operation began with the U.S. Air Force 320th Special Tactics Squadron parachuting into Miyagi to begin removing debris on March 16. By March 20 a U.S. Air Force C-17 landed with supplies and on March 22 an Australia C-17 landed with a badly needed cooling pump for Fukushima Daiichi nuclear power plant. Japan's defense budget will be under pressure in the years ahead, but this example showed that interoperability and jointness count as much as spending in terms of deterrence, dissuasion and reassurance. I have no doubt that both militaries and both governments will build on this positive experience in the years ahead.

A third strength has been the energy and unity of purpose among Japan's youth. I saw this clearly in the way my own students were mobilized and energized by the disaster and thought it was a striking counterpoint to the growing argument that Japan's next generation is becoming listless and un-ambitious. Almost 300,000 Japanese have volunteered to go to Tohoku to help with relief and recovery efforts. The Japanese government and firms have responded by offering "volunteer holidays." I don't know of any young Japanese who worked for me or studied under me who hasn't volunteered. This galvanizing experience will produce a new generation of leadership with real purpose and drive.

These are strengths that were not fully appreciated by the world before 3-11. There are also enormous challenges ahead, of course. Yet even these challenges contain within them the potential seeds of a stronger Japanese role in the world.

The first challenge will obviously be economic. After 3-11 there was initial concern that Japan would not have the domestic savings pool to raise the funds necessary for reconstruction—estimated to be somewhere above \$600 billion—because of Japan's large debt-to-GDP ratio (now close to 200%). However, most analysts, ratings agencies and international financial institutions now assess that the Japanese people do have the savings necessary and the readiness to pay for reconstruction through special taxes or disaster bonds. The larger risk may be further "hollowing out" of the Japanese economic structure. The interruption to global supply chains caused by 3-11 revealed how crucial Japanese inputs are to high technology goods produced from Korea to California. The

experience also shook Japanese corporate leaders, who recognized a far greater risk from earthquakes and tsunamis than they had anticipated. The Ministry of International Trade and Economy (METI) has begun a major study with Japanese manufacturers on how to avoid “hollowing out” of the Japanese economy in the event that production is now moved to other parts of Asia or North America to reduce risk. However, most corporate leaders I have spoke with from Japan do expect at least a partial shift of production out of the main island of Honshu in the years ahead. This should prompt Japanese political leaders to take a harder look at increasing competitiveness in the service and IT sectors. That debate was underway before 3-11 in response to Prime Minister Kan’s proposal that Japan join the Trans-Pacific Partnership (TPP) free trade negotiations and it will only intensify given the new pressures on Japan’s manufacturing base.

Second, Japan’s assumptions about energy resources may now come under stress. Japan has always had a serious national strategic approach to energy, given the lack of natural resources and heavy reliance on imports, especially of oil and coal. Japan operates 54 nuclear power reactors that provide about 30% of electricity and the government had proposed building 14 new reactors and increasing reliance on nuclear for 50% of energy by 2030. Public opinion polls still show almost surprising levels of support for nuclear power in Japan even after the disaster at the Fukushima Daiichi power plant. However, Japan will now face both near-term and long-term energy shortfalls. In the near-term, rolling power outages continued for weeks after 3-11 and could resume, depending on summer peak demand. Japan will likely increase LNG in the short-term, but the cost will be high. Nuclear will remain a part of the mix in the longer-term, but there will be significant debate about whether the 50% target for nuclear is still realistic. As Japan adjusts its energy strategy, however, there may be opportunities for new demonstrations of leadership. For example, if the Japanese government authorizes a thorough and independent review of what happened at Fukushima Daiichi, Japan would be well placed to lead international discussions on improving safety and accountability standards for civilian nuclear power plants around the world.

Third and finally, Japan faces some near-term challenges building political consensus and leadership for recovery and reconstruction. Prime Minister Naoto Kan is Japan’s fifth prime minister in as many years. Many political commentators thought his premiership was heading into its final weeks before 3-11. In current public opinion polls his government receives a two or three-to-one disapproval rating over its approval rating. However, the public also has expressed the opinion in polling that it is not appropriate to replace the Prime Minister in the midst of this initial relief and recovery stage. This political uncertainty could begin to hamper planning. Thus far the government and opposition have not been able to agree in the Diet on how to organize reconstruction – Prime Minister Kan wants to lead the effort with an expanded cabinet and the opposition wants the immediate establishment of a new super-agency to design and implement recovery plans with greater autonomy from the other cabinet ministers.

Nevertheless, it would be a mistake to assume from this current uncertainty that Japan is incapable of producing strong leaders needed to move forward. Shigeru Yoshida, Yasuhiro Nakasone and Junichiro Koizumi are three who left a strong stamp on

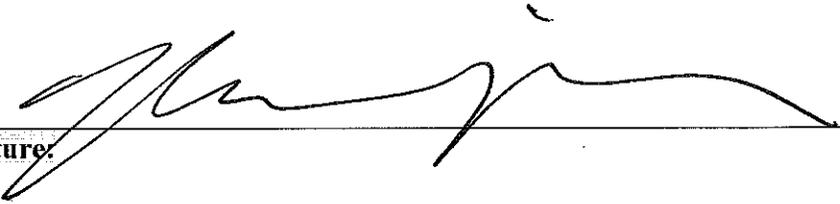
Japan in the past fifty years and they will not be the last. Moreover, the crisis has spotlighted the leadership skills and competence of a number of up-and-coming politicians in all the major political parties. The structural problem is that the earthquake and tsunami of March 11 hit as Japan was slowly transitioning to a new post-Cold War model of politics. That hurts in the near-term. Yet we may also find in the coming months that this accelerates the process of political realignment and produces the decisive leadership that the Japanese public has been waiting for since Junichiro Koizumi stepped down after six successful years as prime minister in 2006

In short, even the challenges Japan will face in terms of political leadership, economic planning and energy strategy offer opportunities for renewed leadership on the domestic and world stage. These will obviously be Japan's choices and Japanese leaders alone will have to articulate and implement a way forward with their citizens. At the same time, however, this crisis has also revealed the unique depth of America's alliance with Japan and the ties between the American and Japanese people. If we stand squarely with Japan it will make a difference in the months and years ahead – for Japan, for us and for the world. This hearing is an important part of that effort and I thank the Chairman and members of the committee for inviting me today and for their leadership in bringing Congressional focus to Japan at this critical juncture.

United States House of Representatives
Committee on Foreign Affairs

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Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee require the disclosure of the following information. A copy of this form should be attached to your written testimony and will be made publicly available in electronic format, per House Rules.

1. Name: Michael J. Green	2. Organization or organizations you are representing: CSIS and Georgetown University
3. Date of Committee hearing: May 24th, 2011	
4. Have you 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No	5. Have any of the organizations you are representing 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 checked="" type="checkbox"/> Yes <input 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. Attached	
7. Signature: 	

Please attach a copy of this form to your written testimony.

CSIS Pacifi Forum	US-Japan Strategic Dialogue	2/9/09-11/8/09	Department of Defense	\$136,836
CSIS Pacifi Forum	Strategic Dialogues	07/24/09-12/31/09	Department of Defense	\$316,220
CSIS Pacifi Forum	Understanding of the Asia Strategic Nuclear	3/26/10-3/25/11	DTRA	\$566,238
CSIS Pacifi Forum	US China Track Two Dialogue	3/8/10-11/15/10	TASC (DTRA)	\$114,000
CSIS Japan Chair	IC Associate with INR	Annual	Department of State	\$30,000 per year
Georgetown University	Center of Excellence on Asia for 4 years)	8/15/10 - 8/15/14	Title VI Grant	\$225,491 per year