THE UNITED STATES/JAPAN RESPONSIBILITY SHARING FOR THE MARINE CORPS FORCES

by

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December 1990

Thesis Advisor: Lawrence R. Jones

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to 15 years in United States/Japan responsibility sharing, particularly in view of actual and potential United States force structure reductions?
The United States/Japan Responsibility Sharing for the Marine Corps Forces

by

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ABSTRACT

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I. INTRODUCTION

A security relationship between the United States and its Pacific Allies, similar to the type that exists between the United States and other members of the North Atlantic Treaty Organization (NATO) is not possible for a variety of reasons including the diversity of cultures, political systems, and levels of economic development in the Pacific region. As a consequence, bilateral arrangements between the United States and Asian allies with forward deployed United States forces and the maintenance of overseas base infrastructures have become the basic tenant of United States military strategy. In a recent statement before the Senate Armed Services Committee, the Under Secretary of Defense for Policy, said,

Our most important bilateral relationship in Asia is with Japan. Not only is this relationship of tremendous economic and political importance, but it is also in Japan where we have the most forward deployed military forces in the region. We believe that we must maintain a substantial presence in Japan, for two reasons: One, the geostrategic location of these bases and two, the cost effectiveness of our presence compared to anywhere else. (Wolfowitz, 1990, p. 14)

A changing global political environment, improved relations with the Soviet Union, improved economic conditions and growing military capability of many Asian allies present the opportunity for the United States to review and adjust sharing of Pacific area defense costs and responsibilities. This thesis explores the United States/Japanese alliance in
terms of past and current contributions to responsibility sharing. It also analyzes prospects for future defense contributions from Japan in support of United States Pacific forces.

Specifically this thesis examines the following financial issues:

(1) As the Department of Defense faces reduced appropriated fund support with no reduction in the Japan-related mission and/or support requirements, can the United States look to the Government of Japan (GOJ) to reduce the cost of this commitment?

(2) What is the current status of United States/Japan responsibility sharing? What activities does the GOJ currently support?

(3) What changes may be anticipated in Japanese contributions to support United States forces?

(4) What changes may be expected in the next ten to 15 years in United States/Japan responsibility sharing, particularly in view of actual and potential United States force structure reductions?

This thesis provides a historical background and current status of U.S./Japan defense responsibility sharing. It is not an attempt to determine whether Japan is contributing her "fair share" to the common defense or enjoying a "free ride." For purposes of research, this thesis is divided into the following five areas of responsibility sharing: Japanese Facilities Improvement Program; Labor Cost Sharing; Relocation Construction Program; Base Countermeasures and Cost of Private Land; and Foregone Revenues and Other Compensation. It presents an insight into the background of these five areas and analyzes factors that have led the United States and Japan
to the present responsibility sharing status. The thesis concludes with my personal view into the future.

Research for this thesis was conducted by interviews with personnel involved with the budgeting, planning, and reporting of the five areas at Headquarters, United States Forces Japan, Yokota, Japan; Headquarters, United States Naval Forces Japan, Yokosuka, Japan; Headquarters, Commander in Chief, Pacific, Honolulu, Hawaii; Headquarters, Commander in Chief, Pacific Fleet, Honolulu, Hawaii; and Headquarters, Fleet Marine Force Pacific, Honolulu, Hawaii. In addition to these interviews, a wealth of memoranda and published background material were used from a variety of other sources cited in the List of References.
II. UNITED STATES/JAPAN RESPONSIBILITY SHARING ISSUES

In April 1952, (Ambassador John) Allison outlined the case for going slowly on the issue of Japanese defense. In a memorandum to Secretary of State Dean Acheson, he pointed out that Japanese rearmament was as much a political problem as a military one, in that "the development and expansion of Japanese military forces go to the very heart of Japan's future and explore the sensitive nerves of Japan's political life". (Brands, 1986, p. 392)

Since 1952, not much has changed in the United States/Japan responsibility sharing, and the debate over Japan's rearmament continues. Japan's Asian neighbors, fearing the rise of a militaristic Japan that terrorized them during World War II, object to rearmament. Domestically, polls show an anti-military sentiment among the Japanese public: one in ten favor further defense boosts and eight in ten disagreed with Japanese support of the United States/Japan alliance that would mean expanded Japanese defense responsibilities (U.S. Information Agency, January 7, 1988, p. 2). Today's debate, however, is inextricably tied to economic as well as political dimensions of the United States/Japan relations. The economic difficulties, such as budget and trade deficits again spurred criticism that Japan's "free ride" must end. A sense of priorities for the allocation of national resources should be the foundation for a rational, long-term posture on participatory defense (hereafter in this thesis referred to as responsibility sharing) and may result from the current
internal debate over federal budget priorities. Many claim that the low percentage of the gross national product (GNP) spent on defense by Japan accounts for its much higher productivity growth rates. The emotional reaction to what some interpret as Japan's uncooperative attitude is understandable if the protective umbrella of the United States has enabled Japan to prosper by having to spend minimally on its own defense and mostly on its economy. Therefore, it appears reasonable to demand that Japan now reciprocate by rearming or contributing more to responsibility sharing with the United States. Some critics even argue that Japan should assume a greater role in the security of Northeast Asia (Kissinger, 1987, p. A25). However, while emotions may be high in America, the prospect of Japan doing significantly more than it is now performing toward its own defense and for the security of the entire region appears low. The evolution of Japan's defense forces has been a painful process, and, therefore, substantial changes are not likely to occur soon (GAO/NSIAD, 1989, p. 19).

From the perspective of some in the United States, Japan appears arrogant and ungrateful. From Japan's view, however, it is a necessary course of action. At least for now, Japan's position on defense is a product of carefully balanced consensus; military force structure changes are difficult to make in Japan. Successive conservative Japanese governments have referred to the Constitution that renounces war and
forbids maintaining "war potential" as legal grounds for the development of a numerically small defense force. The Japanese are proud of their economic gains since World War II, and they look upon the United States' demands for increased Japanese contributions to its defense as driven by the United States' budget problems. These two factors appear to add to Japanese reluctance to renegotiate responsibility sharing.

With due respect to the vitality, sense of purpose, industriousness, and discipline characteristic of the Japanese people, it is widely recognized in Japan and elsewhere that their astounding achievements would not have been possible without a national security strategy that has proved both effective and cheap. Sheltered against external threats by the United States, Japan has enjoyed the enviable position of controlling the extent and manner of its political and military involvement with the problems and conflicts of other nations. The post-World War II governments of Japan have tended to remain on the sidelines in international security affairs, placing their faith in the wisdom of United States policy and actions. Since the end of World War II, the burden of responsibility and inherent costs of maintaining a safe international environment around Japan has rested heavily on the United States.

From today's vantage point, such a division of responsibility sharing benefits may appear unbalanced in favor of Japan. Yet it must be recognized that the present arrangement...
is the logical outcome of Japan's total military defeat in World War II, and also the consequence of subsequent far-reaching United States policy decisions to retain for itself the leading role in shaping the future of postwar Japan. More than four decades have gone by, and it is not surprising that the United States/Japan alliance relationship demands adjustments. Changes in the domestic conditions of the alliance partners, in the correlation of their forces, and in the international context in which the United States and Japan must pursue their policy objectives should be reconsidered. Recognition of this fact appears to have come about more slowly in Japan than in the United States.

Japan faces serious future challenges—in economic, social and international forces shaping the future and maintenance of its full partnership share in the Japan/United States defense alliance.\(^1\) With the protection provided by the United States, Japan generally has invested less than one percent of its gross national product on defense over the years. It has also emerged as a front-rank economic power with a per capita GNP that surpasses the United States. The oil embargo of the 1970's, however, highlighted Japan's economic vulnerability to

\(^1\) *Fortune*, 30 March 1987 cited five forces that will shape the future of Japan: demands from outsiders for Japan to "internationalize"; discontent with a school system that may stifle creativity; the burden of caring for the increasing number of senior citizens; shortage of space; and a blow to the national psyche as the ideal of lifetime employment fades away.
external forces. Accordingly, in order to manage future challenges, Japan once again looked to the United States for help. Under the Japanese Constitution and the Status of Forces Agreement (SOFA), Japan's Self-Defense Forces (SDF) are configured only to counter a limited, small-scale threat to Japan. Japan's defense policy is oriented toward self-defense of Japanese territory; Japan has no other area or regional defense commitments. The mission of Japan's SDF is to defend the nation, including airspace and waters, against aggression. Defensive operations are to be initiated only when Japan is attacked by a foreign power, and those operations are to be kept to the minimum required for Japan's self-defense. Dispatching armed forces to foreign territories has been viewed by the Government of Japan (GOJ) to be inconsistent with its passive defense strategy and its constitution. Japan's concept of defense capability improvement or buildup is based on a strict civilian control system designed to prevent Japan from evolving into a military power that might threaten neighboring countries.

Japan's defense strategy is further limited by its "three non-nuclear principles." They are considered official policy and specify that Japan may not possess, produce, or allow the introduction of nuclear weapons into Japan. Although the Nakasone Cabinet did eventually supersede the self-imposed
one-percent-of-GNP limit on defense\(^2\), the fundamental questions of national security still remain. Should Japan further rearm? If so, to what extent? Can Japan still count on the United States to defend it against the Soviets or a Third-World country? If Japan must rearm, what will be the impact on its economy? These are difficult questions that Japanese leadership must answer to meet the challenges of the future. In addition, the future of the United States/Japan relationship will be tempered by the quality of commitments, agreements and understandings of bilateral economic and defense issues.

At no time since World War II has the responsibility sharing issue represented a greater danger to United States/Japan alliance cohesion than now. In the United States, the preoccupation with reducing the nation's budget and trade deficits and the perception as a declining economic power relative to Europe and Asia are exerting downward pressures on defense expenditures. The hope that improved East-West relations and arms control agreements will reduce military costs adds opposition to a significant increase in

\(^2\)Although Japan's annual defense budgets for the last decade were limited to one percent of GNP, the expenditures showed real growth due to an increase in GNP each year. Notwithstanding pressures from the United States, the real growth in Japan's defense budgets were necessary in response to changes in the international environment such as the invasion of Afghanistan by the Soviets and the perceived decline of U.S. strength in Asia after the withdrawal from Vietnam.
defense spending. This mix of priorities and perceptions has rapidly transformed responsibility sharing into a highly visible, emotional, political issue.

According to Gansler, "Steps must be taken to close the gap between an unlimited foreign-policy posture and a limited set of resources" (Gansler, 1989, p. 66). He lists nine steps as proposals toward accomplishing that goal: 1) Introduce greater realism and balance into the planning of the national-security mission; 2) Integrate arms-control actions with the national-security strategy; 3) Improve the integration of the United States defense posture with those of our allies; 4) Get our allies to pick up a larger share of the mutual defense costs; 5) Reduce the permanent deployments of United States forces and shift to a more mobile force structure; 6) Place greater reliance on the use of reserve forces and on industrial mobilization; 7) Take far greater advantage of the improvements in military capability and in tactics offered by advanced technologies; 8) Integrate the planning and the war-fighting capabilities of the various armed services; and 9) Stress, in the design of conventional weapon systems, the importance of increased quantities and ease of operations and maintenance.

In adding greater realism to national-security planning, the United States must answer two questions: What wars are planned for? And, how much funding is available for these plans? An effective, rational, and consistent foreign policy
that relates to force structure, weapon selection, and defense budgets is essential. The integration of arms control (conventional, nuclear, biological, and chemical) in this foreign policy would eliminate significant investment expenditures for the weapon systems as well as updating existing equipment to withstand an attack. To increase interoperability, integrated planning with NATO allies on the design and distribution of equipment, manpower, and tactics is a prime objective.

Dependence on the allies to form a military alliance superior to the Soviet Union adds pressure on the United States to request more defense expenditures from the allies to strengthen the effectiveness of the security posture. If these allies assumed a more active role, it could result in a reduction of permanent deployment of United States' troops and a shift to a more mobile force. Given the assumption that there would be signs of a Soviet buildup, reliance on the reserves and on industrial mobilization is an option to be considered. The United States has the ability to call up the reserves faster than they can be equipped due in large part to the increased sophistication of the equipment and long lead times. However to increase force effectiveness under resource constraints, the United States should take advantage of advanced technologies that offer new military capabilities and improved tactics. To do so, the United States must divest itself of traditional institutional barriers in the various
services. Additionally, the individual services must integrate into one synergistic force to include resource planning and war-fighting. Doing so will optimize the use of defense resources--increased quantities of weapons systems and ease of operations, support, and maintenance.

None of these steps will be easy to accomplish. With regards to number 4, the United States is negotiating currently with Japan to increase the Japanese defense responsibility sharing contributions in several areas, some of which would reduce United States' stationing costs. These areas include yen-based stationing costs (salaries for Japanese citizens who work at United States bases, and costs for utilities and routine maintenance plus contracted ship repair costs), wartime host nation support, and quality-of-life initiatives for United States service members serving in Japan. United States officials also believe that Japan could increase its official development assistance (ODA) to other nations, its contributions to the United Nation's peacekeeping operations, and assistance in the cost of the Iraq embargo and the related military operations. The Commander of United States Forces Japan (USFJ) conducts negotiations on these issues with the Defense Agency and other Japanese ministries and agencies. In addition, he coordinates with the Ministry of Foreign Affairs in regard to the implementation of the SOFA.
However, with an economy focused on producing goods for the civilian sector and a long post-World War II history of keeping its defense expenditures under one percent of its GNP, Japan tailors its defense approach to the national interest and the culture. By the end of 1988, Japan was spending more on defense than any other nation in the world except the United States and the Soviet Union. Its one percent of GNP is the equivalent of $30 billion in United States dollars, which is about the same as France, West Germany, and the United Kingdom spend on defense. If other expenses such as pensions and benefit payments are included in the Japanese responsibility sharing computations, their defense expenditures increase to $36 billion (GAO/NSIAD, 1989, p. 36). As with all of the Japanese economy, they take a long-term perspective and seek long-term budget stability through a five-year plan that is relatively stable and is supposed to be reviewed fully only every three years. High volume, low cost, and high quality are stressed in their defense industrial sector (as in their civilian sector) (Gansler, 1989, p. 311).

Japanese officials believe that a SOFA amendment would be necessary to pay the additional costs under any renegotiation. Amendments could pave the way for the Government of Japan (GOJ) to request complete renegotiation of the SOFA. This agreement has been in effect since January 19, 1960. If renegotiation occurs, the United States believes it might lose certain advantages enjoyed since that time. Unrestricted
access to Japan's ports and training areas is the prime target of Japanese political opposition parties (GAO/NSIAD, 1989, p. 33). Any change in access would affect United States' readiness since there are no other appropriate training locations available near Japan.

Although the SOFA obligates the GOJ to furnish facilities and training areas for United States forces, nothing in it prohibits the GOJ from paying additional costs. There is a provision included in the SOFA (Article XXVII) that allows either government to request revision of any article without affecting the entire agreement. The Labor Cost Sharing Agreement of 1987 is a prime example. If the GOJ were to assume the yen-based costs, it would relieve the United States government from budgetary pressures resulting from a drastic fall of the dollar. Under such an agreement the GOJ's contribution would increase from 31 percent to 42 percent of total stationing costs. Based on projected 1990 salary costs for Japanese workers and other yen-based costs paid by USFJ, a nine percent increase would equate to approximately $600 million in United States budgetary savings.

Support requirements provided by the Japanese under host nation support during a contingency would not necessarily result in peacetime savings to the United States but would be valuable in that the agreement outlines the support required, availability, and logistics. The prepositioning of equipment would decrease United States requirements for additional
transportation assets. In 1982, USFJ and GOJ formed a deliberative body that identified 30 projects concerning major wartime support for study. The studies include the use of Japanese sea, ground, and air transportation assets for transporting United States personnel, supplies, and material; provision of storage facilities for war reserve material; support for noncombatant evacuation; in-transit support of United States forces; and maintenance of major items of equipment in Japan. At this time the studies have not been completed (GAO/NSIAD, 1989, p. 34).

To benefit United States service members, USFJ would like to see Japan: (a) pay for tolls, road taxes, and inspection fees on vehicles of service members stationed in Japan; (b) provide discount prices for the rail system and domestic flights; and (c) pay security and utility deposits (move-in costs) for service members who must live off base.

In non-defense assistance areas, Japan's Official Development Assistance (ODA) and contributions to United Nations peacekeeping efforts have displaced the United States position as the largest world donor of nonmilitary aid. In 1989, Japan's foreign aid budget was the equivalent of $11.1 billion while the United States's was $9.0 billion. Its budget for peacekeeping operations was $280 million (GAO/NSIAD, 1989, p. 35). Japan's contribution to international stability and development commensurate with its economic stature is encouraged by the United States. Japan's incentive
to make such contributions is its increased political and commercial influence in the recipient nations. Japan would like to have its development assistance considered by the United States as part of its responsibility sharing. For the United States to do so would not increase Japan's overall expenditures in relation to GNP by a significant amount.

Congress has become increasingly concerned over defense responsibility sharing as the costs of worldwide United States commitments continue to increase while the United States economic strength declines as compared to many of its allies. The characterization of responsibility sharing as simply dollars and cents issue is not always correct. Each ally has its own security perceptions based on its unique situation, with numerous intangibles and other objectives also present. The voices of pacifism, militarism, nationalism, internationalism, and protectionism continue to influence future Japanese responsibility sharing. American negotiators pay close attention to the opinion of the Japanese people as consensus in Japan's society strongly influences Japan's political decisions. This society may allow its SDF to become more capable through technology, but a more aggressive (i.e., offensive) force as a result of increased responsibility sharing is not likely to be accepted. The "Japan-bashing" currently in the United States news, related to the absence of significant Japanese backing for the United States military
effort against Iraq in the Persian Gulf, is an example of the volatility of the issue of responsibility sharing.

The next chapter discusses events leading to the current responsibility sharing contributions and provides historical funding for each category.
III. AREAS OF RESPONSIBILITY SHARING

This chapter outlines several areas of United States/Japan responsibility sharing. For each area, it provides information on the background, the current status and possibilities for the future.

A. JAPANESE FACILITIES IMPROVEMENT PROGRAM

The Japanese Facilities Improvement Program (JFIP) is the most visual of the Japanese responsibility sharing initiatives. It is part of the Host Nation Funded Construction Program. Article VI of the Treaty of Mutual Cooperation and Security Between the United States of America and Japan granted the United States land, air and naval forces the use of Japanese facilities and areas. In addition, it specified that "the use of these facilities and areas as well as the status of United States armed forces in Japan shall be governed by a separate agreement." That follow-on agreement is titled the Agreement Under Article VI of the Treaty of Mutual Cooperation and Security Between the United States of America and Japan, Regarding Facilities and Areas and the Status of United States Armed Forces in Japan (SOFA).

Article II of the SOFA interprets facilities and areas to include existing furnishings, equipment and fixtures necessary for the operation of those facilities and areas.
Additionally, it grants either government the ability to request a joint review of the established arrangements to agree that certain facilities and areas be returned to Japan or that additional facilities and areas be provided. Article XXV of the SOFA establishes a Joint Committee of the Government of Japan and the United States to determine specific facilities and areas which are required for the use of the United States in carrying out the purposes of the Treaty of Mutual Cooperation and Security.

In 1977, the Joint Committee's cost-sharing discussions and subsequent agreements related to the maintenance of the United States forces in Japan led to Japan's initiation of the JFIP in Japanese fiscal year (JFY) 1979.3 A summary of the program funding levels since its inception is shown in Table 1 (Fleet Marine Force, Pacific Talking Paper, 15B1/JFIP5, 8 June 1990, p. 21 and GAO/NSIAD, 1989, p. 27). This program is designed to fund new construction on United States bases to improve the quality of life. Its primary focus has been bachelor and family housing and community support facilities, less income-producing Non-Appropriated Fund Instrumentalities (NAFI). However, recent Japanese budgets have included funds for operational support facilities, as hardened aircraft

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3The Japanese fiscal year begins 1 April and is designated by the calendar year in which it begins, as opposed to the U.S. fiscal year which is designated by the calendar year in which it ends. The GOJ budget consists of annual expenditure and contract authorization over two U.S. fiscal years.
### TABLE 1

**JAPANESE FACILITIES IMPROVEMENT PROGRAM**

<table>
<thead>
<tr>
<th>JFY</th>
<th>YEN (billions)</th>
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</thead>
<tbody>
<tr>
<td>79</td>
<td>22.7</td>
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<tr>
<td>80</td>
<td>29.5</td>
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<td>88</td>
<td>86.6</td>
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<tr>
<td>89</td>
<td>91.6</td>
</tr>
</tbody>
</table>

Shelters (GAC/NSIAD, 1989, p. 26). Through JFY 1988 a total of $2.4 billion (220 yen per dollar) in JFIP funds built 5561 Family Housing units, 409 Bachelor Officer/Enlisted Quarters, 259 Environmental Facilities, 208 Community Support Facilities and 534 Operation/Other Facilities. Another 714 Family Housing units were built in JFY 1989, and 921 are planned for JFY 1990. While there is no specific list for what construction projects will be funded, the following are general guidelines used by USFJ for determining whether a project is appropriate for the program:

1. **Appropriate for funding:** military family housing; community support facilities; replacement of existing facilities due to environmental and/or safety deficiencies; and new mission support facilities.
(2) Inappropriate for funding: maintenance or repair of United States' facilities; renovation of or addition to existing United States' facilities; ammunition storage facilities; additional petroleum storage facilities; sensitive projects which would require disclosure of classified or highly technical data; or the current politically controversial (with the local Japanese community) facilities.

The reconstruction program replaces existing projects that are in substandard condition. Initiatives to increase the scope or size of an old facility are not considered in the reconstruction program. Under the terms of the SOFA, the United States is required to continually review its holdings and return those facilities not required. The GOJ provides new facilities and areas to meet United States' requirements on a "quid pro quo" basis, i.e., it will construct replacement facilities on a square foot for square foot and function for function basis. To keep design and construction times to a minimum and cost predictions accurate, the GOJ has instituted a standardized design for types of buildings where this is practicable.

Japan will not fund projects interpreted as increasing the United States' capability to conduct offensive operations or in support of strategic missions outside of Japan, but will accept requirements which support contingencies in Japan. The GOJ defers building of these facilities to DoD's Military Construction (MilCon) appropriation. In 1988 JFIP was eight percent of worldwide military construction funding (Talking Paper, 15B1/JFIP5, 8 June 1990, p. 18).
USFJ's current approach to program development is to propose a majority of projects with a high probability of acceptance and a few projects aimed at challenging the constraints of the program. The GOJ considers the sensitivities of the local prefecture and citizenry when awarding JFIP projects. Japanese law requires a construction permit from the local municipality prior to commencing work. Perceived adverse environmental impact is generally the reason for delayed permits. In an effort to overcome local concerns, environmentally related projects (e.g., jet engine noise suppressing facilities and relocating the Iwakuni airport for night-landing practice by United States ship-borne aircraft) have been included in United States requests. Even these projects have been met with opposition; e.g., plans to relocate the Iwakuni airport to Miyake Island have been abandoned due to persistent opposition by the islanders (Stars and Stripes, August 21, 1990, p. 3). The GOJ had earmarked $6.7 million for the project since 1987. However, nearly one-third of that budget was returned to government coffers since little progress had been made.

Since the JFY is six months out of phase with the United States' FY, detailed planning and programming by the United States is required 1 1/2 years prior to the Japanese budget. Improvements to the quality of life for United States forces in Japan have been significant but not without controversy. Congress continues to encourage the GOJ to enhance its
participation in their national security. On more than one occasion, MilCon projects have been dropped from DoD's budget because Congress deemed them appropriate for JFIP (Skierkowski, 1986, p. 14). The timing difference in the fiscal years results in lost projects if those deleted cannot be included in USFJ's program proposal.

There are advantages and disadvantages to the United States to using JFIP rather than MilCon. It is typically a much faster program. Projects submitted in Spring 1991 and approved by April 1992 can be completed during 1993 or 1994. But the rapid pace of the program makes the GOJ relatively inflexible in extending deadlines or allowing changes to previously submitted proposals. Unlike MilCon, projects do not have to compete with other bases in the Marine Corps for prioritization. Therefore, the activity submitting the proposal has more flexibility. Even with the restrictions of the JFIP, the probability of project acceptance is much higher. The Marine Corps project acceptance exceeds 90 percent of submissions (Fleet Marine Force, Pacific Talking Paper, 15B1/JFIP5, 8 June 1990, p. 2). The high acceptance rate leads to a decrease in the acceptance of valid MilCon projects. Congress has interpreted the success of JFIP to mean that little MilCon is needed for Japan. The successes in expanding JFIP projects in one location do not necessarily indicate a change in the Japan-wide JFIP program. The power of the local politicians and constituency have a great deal of
influence over project approval. The result may be a valid mission requirement that goes unfilled since it was rejected by both GOJ and Congress. Apparent expansion in the scope of JFIP is subject to considerable bureaucratic interpretation by the GOJ and not necessarily written or verbal policy changes. The United States can receive mixed signals on the limits of JFIP when a facility in a locality is approved and the following year a like facility in a different locality is disapproved. Interpretations of the JFIP coupled with the mood of the local prefecture may change from year to year and Congress should not view them as "set in concrete." Misunderstandings have led to project delays because the projects have been dropped from MilCon or JFIP. Projects that previously would definitely have been inappropriate for JFIP were submitted for MilCon and now have been dropped from MilCon because of apparent expansion of JFIP. A summary of recent program funding levels is provided in Table 2 (Fleet Marine Force, Pacific Talking Paper, 15B1/JFIP5, 8 June 1990, p. 30). Service levels of JFIP funding are fairly consistent year after year: Army--12 percent, USMC--28 percent, Navy--30 percent, and USAF--30 percent.

Ancillary funds provided by the United States to support the JFIP projects include MilCon, Operation and Maintenance, Marine Corps (O&M,MC), and Commissary Trust Fund appropriations. The MilCon appropriation offsets United States' design, construction surveillance, inspection and overhead
## TABLE 2

RECENT PROGRAM FUNDING LEVELS
(in millions)

<table>
<thead>
<tr>
<th>JFY</th>
<th>U.S. FORCES TOTAL</th>
<th>USMC TOTAL*</th>
</tr>
</thead>
<tbody>
<tr>
<td>89</td>
<td>416</td>
<td>66</td>
</tr>
<tr>
<td>90</td>
<td>458</td>
<td>77</td>
</tr>
<tr>
<td>91</td>
<td>478</td>
<td>87</td>
</tr>
<tr>
<td>92</td>
<td>500</td>
<td>78**</td>
</tr>
</tbody>
</table>

* military family housing on Okinawa, managed and programmed by the USAF not included

** the decrease from JFY 91 to JFY 92 reflects discontinuance of a special additional augmentation of $10 million designated for the construction of Bachelor Enlisted Quarters (BEQ's)

costs required to manage the host nation construction program.

O&M,MC purchases and installs collateral equipment for the occupants of the facilities. The Commissary Trust Fund purchases collateral equipment for a commissary store.

USFJ expects the following for JFIP funding between JFY's 1990 and 2000: GOJ initiatives and Community Support facilities to remain consistent at $30 million and $45 million, respectively, per year through JFY 2000; Family Housing unit construction will be complete in JFY 1998; Bachelor Enlisted/Officer Quarters complete in JFY 1996; Operation/Other construction will absorb the funding for

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4 Collateral equipment may include office furnishings, communications equipment to meet U.S. specifications, and unique security devices, such as vaults for classified material.
BEQ/BOQ and Family Housing units through JFY 1999; and total funding through JFY 1999 will be approximately $460 million. JFIP is fundamental to improving and maintaining the facilities infrastructure for the United States forces in Japan. USFJ continues to be sensitive to the program constraints, finetunes its requirements to the real-time political and technical situations, and plans accurately as far in advance as possible to maintain program momentum.

B. LABOR COST SHARING (LCS)

Article III of the SOFA specifies that the United States will take all measures necessary to operate, safeguard, and control the facilities and areas it uses in Japan. Initially, this was interpreted by the GOJ to include all pay and allowances for Japanese nationals hired in support of the United States government. The eight basic allowances and a brief description of each follows: family--employees with dependents are paid additional amounts for each dependent; adjustment--for employees that reside in areas designated as high cost which can be up to ten percent of basic wage; commutation--depends on the distance an employee travels to work as well as the mode of transportation used; housing--comparable to the military Bachelor Allowance for Quarters (BAQ), it pays a portion of the employee's mortgage/rent/lease; summer, year-end, and term-end--collectively the three are considered seasonal bonuses that an employee qualifies for.
by working a specific numbers of days per year, the maximum amount allowable is 5.25 months of base pay, adjustment allowance, fixed allowance and family allowance; and retirement--a lump sum payment provided at retirement, resignation, or reduction-in-force (RIF), mandatory retirement is at age 60, the lump sum amount is determined by the employee's pay rate, length of service, and type of termination. A Japanese employee's pay consists of 42.9 percent base pay, 39.9 percent allowances, 8.0 percent social insurance, 4.9 percent miscellaneous, and 4.3 percent USFJ differential (discussed later).

Because conditions affecting employees in Japan are influenced by local customs, practices, and laws, administration of the workforce is complex and unique. To reduce such complexity, USFJ has entered into an indirect-hire agreement under which the GOJ serves as the legal or go-between employer. Wages and employment conditions under this agreement are negotiated between USFJ and GOJ. Base pay and allowance payments are made in yen by the GOJ, and the United States government "reimburses" the GOJ monthly according to the current rate of exchange. United States Public Law 86-223 provides that compensation plans for local national employees be based on prevailing wage rates and compensation practices in the locality. After World War II, these employees were
paid in excess of the prevailing wage rates.\textsuperscript{5} This higher wage rate, known as the USFJ differential, was ten percent higher than the basic wage and provided incentive to work in support of the government that had just ended Japanese military might. This practice has been retained and enlarged by subsequent pay raises.

In the early 1970's, the Japanese economy began an upward trend, commodity prices soared, and the international economic condition fluctuated (the value of the dollar fell from 360 to 260 yen) (Kelley, 1988, p. 8). In addition, Japanese wage rates began to increase at a rate higher than the normal cost-of-living pay raises. In 1974 alone the increase was approximately 30 percent. Table 3 provides a breakdown of the wage increases incurred since 1970. Each year the United States government attempted to negotiate a lower-than-prevailing-wage-rate increase to offset the higher wages paid since the end of World War II. At the same time, requirements for the size of the workforce were reduced. Neither of these situations is a common occurrence in Japanese government or major industries, and the resulting strikes prompted labor cost-sharing discussions and negotiations between the GOJ and the United States government.

\textsuperscript{5}Prevailing wage rates for the Japanese hired by the Japanese government and indirectly paid by the U.S. government are in the same proportion as the GOJ National Public Service (NPS) employees. This is in accordance with CINCPAC Instruction 12200.3B and USFJ Manual 40-1.
### TABLE 3

**JAPANESE WAGE INCREASES**

<table>
<thead>
<tr>
<th>JAPANESE FISCAL YEAR</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>12.67</td>
</tr>
<tr>
<td>1971</td>
<td>11.74</td>
</tr>
<tr>
<td>1972</td>
<td>10.68</td>
</tr>
<tr>
<td>1973</td>
<td>15.39</td>
</tr>
<tr>
<td>1974</td>
<td>29.64</td>
</tr>
<tr>
<td>1975</td>
<td>10.85</td>
</tr>
<tr>
<td>1976</td>
<td>6.94</td>
</tr>
<tr>
<td>1977</td>
<td>6.92</td>
</tr>
<tr>
<td>1978</td>
<td>3.84</td>
</tr>
<tr>
<td>1979</td>
<td>3.70</td>
</tr>
<tr>
<td>1980</td>
<td>4.61</td>
</tr>
<tr>
<td>1981</td>
<td>5.23</td>
</tr>
<tr>
<td>1982</td>
<td>0.00</td>
</tr>
<tr>
<td>1983</td>
<td>2.03</td>
</tr>
<tr>
<td>1984</td>
<td>3.37</td>
</tr>
<tr>
<td>1985</td>
<td>5.74</td>
</tr>
<tr>
<td>1986</td>
<td>2.34</td>
</tr>
<tr>
<td>1987</td>
<td>1.47</td>
</tr>
<tr>
<td>1988</td>
<td>2.35</td>
</tr>
<tr>
<td>1989</td>
<td>3.11</td>
</tr>
<tr>
<td>1990</td>
<td>3.67</td>
</tr>
</tbody>
</table>

In accordance with the SOFA, a Joint Committee was formed to ratify the labor cost-sharing discussions. The agreement signed in December 1977 became effective JFY 1977 and was to

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6To date there have been three Labor Cost Sharing agreements. Each of them is known by the number of the round, e.g., First-Round, Second-Round, and Third-Round.
last indefinitely. The purpose of LCS was, and continues to be, to protect Japanese jobs, thereby contributing to the Japanese national policy of full employment and economic security (Fleet Marine Force, Pacific Point Paper, BPoint2, 1988, p. 1). Under the First-Round Agreement, the GOJ agreed to share allowance items considered welfare and recreation expenses absent from the National Personnel Service (NPS) employees wage system (Defense of Japan, 1989, p. 188). Assumption of these "indirect" labor costs was a way around the GOJ's interpretation of Article XXIV of the SOFA, which it had construed to prohibit payment of "direct" USFJ labor costs. The GOJ assumed the following allowance items: social insurance (employer's share), health and medical expenses, uniforms and protective clothing, recreation expenses, calamity benefits, incentive awards, and administrative fees. The First-Round Agreement amounted to approximately 6.5 percent of the total wage and allowance cost (Hall, 1990, p. 1). The United States government agreed within the following year to open discussions on the Japanese labor law and contracting out and to provide a three-year labor forecast. This cost sharing agreement set a precedent for further cost sharing of facilities construction as well as labor.

The following year another Joint Committee was formed to negotiate a second LCS agreement. The Second-Round Agreement, signed in December 1978, became effective JFY 1979 and was to last indefinitely. The items the GOJ agreed to assume
amounted to another 6.5 percent. The items included the language allowance, USFJ differential, and a portion of the retirement allowance, but excluded Okinawa. The United States government agreed to pay the housing allowance, increase the night-shift differential, and continue discussion of the three issues agreed to in the First-Round Agreement.

The GOJ's total share of labor costs after the second agreement was approximately 13 percent. As the social insurance percentage of basic pay was increased by the GOJ and the amount of incentive awards paid increased, the total share rose to 15 percent. Since Japan considered the First- and Second-Round agreements to be within the existing SOFA provisions, the agreements did not require ratification by the Japanese Diet. Between 1979 and 1987 there were no further Joint Committee agreements on LCS. As discussed previously the JFIP was initiated in 1979 because the Japanese did not believe that an increase in labor cost sharing was politically feasible due to public opinion. However, in 1980, 1981, 1982, and 1984 the United States government suggested that Japan increase its LCS (Kelley, 1988, p. 9). There was no leverage provided by work force reductions or high wage increases to force the issue during this period, so Japan declined. But in 1986, when the dollar fell rapidly against the yen, and in 1987 when United States oil supplies were threatened during the Persian Gulf crisis, the United States stance requesting more Japanese assistance became stronger. Japan also relied
on oil supplies from the Persian Gulf region but, because of its Peace Constitution, could not join the United States in sending maritime forces there. Congressional pressure to increase allied assistance from Japan mounted, well-publicized by a letter from Senator Robert C. Byrd to President Reagan. It was suggested that Japan assume all yen-based costs, such as base pay for Japanese workers, utilities, and ship repairs. Japan declined, stating that this would require a renegotiation of the SOFA which neither Japan nor the United States desired. As discussed previously, the United States believed it might lose certain advantages enjoyed under the current SOFA such as unrestricted access to Japan's ports and training areas. The pro-American faction of the GOJ does not desire any loss of USFJ defensive support in the event the SOFA was renegotiated to cause such a loss. This led to a Third-Round Agreement between Ambassador Mansfield and the Japanese Minister of Foreign Affairs, Yuko Kurihara. Negotiated outside the SOFA provisions (specifically Article XXIV) and known as a Special Measure, it was ratified as a new treaty by the Diet in June 1987, effective 1 June 1987 to 31 March 1992 (through JFY 1991) (GAO/NSIAD, 1989, p. 25). The United States government treated it as an administrative agreement not requiring congressional approval. The GOJ agreed to assume up to 50 percent of the United States government costs of family, commutation, adjustment, housing, seasonal, and retirement allowances. Mandatory retirements caused by RIF's
were excluded. This amounted to 42 percent of total labor costs. The Third-Round Agreement was amended in March 1988 to permit the GOJ to pay all or any part of the eight basic allowances.

The significant transition upward from 50 percent to 100 percent was accomplished over a period of several fiscal years. The GOJ budget for JFY 1987 funded the allowances at 50 percent for part of the fiscal year; for JFY 1988 allowances were funded at 50 percent for the entire fiscal year; for JFY 1989, 75 percent; and for JFY 1990 (the current fiscal year), 100 percent. Although it has not been approved by the Diet, the GOJ budget for JFY 1991 funds the allowances at 100 percent. The 100 percent funding currently amounts to 54.2 percent of the total labor costs (Hall, 1990, p. 2).

After the First-Round Agreement in JFY 1978, the GOJ paid 6.2 billion yen, or $31 million U.S. dollars. By JFY 1989 the amount had increased to $409 million or 53.2 billion yen. A synopsis of the trend of Japanese support in labor cost sharing since 1981 is provided in Table 4 (GAO/NSIAD, 1989, p. 26).

As of May 1989, the Japanese workforce of 22,463 by United States service it supported was: 11,454 (51 percent) for the Navy/Marines; 7213 (32 percent) for the Air Force; and 3796 (17 percent) for the Army. Approximately 65 percent of the workforce were employed on mainland Japan, while 35 percent were employed on Okinawa.
TABLE 4

LABOR COST SHARING CONTRIBUTIONS
(Based on the Budget Exchange Rate for each year)

<table>
<thead>
<tr>
<th>JAPANESE FISCAL YEAR</th>
<th>YEN (Billion)</th>
<th>DOLLARS (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>15.9</td>
<td>67.7</td>
</tr>
<tr>
<td>1982</td>
<td>16.4</td>
<td>65.6</td>
</tr>
<tr>
<td>1983</td>
<td>16.9</td>
<td>71.6</td>
</tr>
<tr>
<td>1984</td>
<td>18.0</td>
<td>73.8</td>
</tr>
<tr>
<td>1985</td>
<td>19.3</td>
<td>87.7</td>
</tr>
<tr>
<td>1986</td>
<td>19.1</td>
<td>120.1</td>
</tr>
<tr>
<td>1987</td>
<td>36.1</td>
<td>259.7</td>
</tr>
<tr>
<td>1988</td>
<td>41.1</td>
<td>316.2</td>
</tr>
<tr>
<td>1989</td>
<td>53.2</td>
<td>409.2</td>
</tr>
</tbody>
</table>

The LCS initiative for future years not covered by the Third-Round Agreement will become more important after the JFY 1991 budget is approved. The United States will negotiate for further increases in labor cost-sharing. The USFJ goal is that the GOJ fund 100 percent of pay and allowances. However, the USFJ does not desire to relinquish any management control of the Japanese employees. The GOJ has as its goals: no RIF's for fiscal reasons; consultations in advance of decisions adversely impacting on the work force; and work force stability.

Currently, the Japanese Diet's interpretation of the SOFA means that the United States will always pay certain expenses, to include base pay for Japanese employed to maintain United States forces in Japan. This interpretation does not prevent
the Japanese from subsidizing base pay however. Japan's final hurdle to begin base pay subsidization is a legal one. The Japanese interpretation of the SOFA will not allow them to fund base pay.

C. RELOCATION CONSTRUCTION PROGRAM

When Japan takes land occupied by the United States forces, it constructs new facilities for these forces elsewhere. This relocation construction program, a predecessor to JFIP, began in 1965. Most of the relocation projects agreed to by Japan and the United States are near completion. Any new construction, whether for relocation as desired by the Japanese, or due to United States' forces requirements, is funded by JFIP. The amounts required for relocation are decreasing as shown in Table 5 (Shinmori, 1990, p.1).

D. BASE COUNTERMEASURES AND COST OF PRIVATE LAND

Projects to improve the local environment surrounding United States bases are known as base countermeasures. Examples include noise suppressors, flight path and time restrictions, dwelling relocation, disaster prevention, and environmental improvements. Such countermeasures contribute to mutual defense efforts by building local support for United States presence at the bases (GAO/NSIAD, 1989, p. 24). Countermeasures are not required by the SOFA.
<table>
<thead>
<tr>
<th>Year</th>
<th>JPY</th>
<th>Yen (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>29,556</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>22,202</td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>15,166</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td>13,019</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>12,033</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td>10,991</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>6,326</td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>3,843</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>1,085</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>279</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>290</td>
<td></td>
</tr>
</tbody>
</table>

The GOJ pays for renting and leasing of privately owned property for United States' military use. It then provides this land free of charge to the United States. This land amounts to 42,847 acres, 52 percent of the total land provided for United States' use for military bases. The remaining 48 percent, 39,221 acres, is owned by the GOJ and is discussed in a subsequent section of this thesis.

Both countermeasures and costs of private land are paid by the GOJ in yen. Table 6 illustrates the effect that exchange rates have on Japan's contribution to United States' stationing costs (GAO/NSIAD, 1989, p. 24). The actual increase from 1981 to 1987 was five percent if the contributions are
### TABLE 6

JAPAN'S LAND AND BASE COUNTERMEASURES CONTRIBUTIONS

| JAPANESE FISCAL YEAR | DOLLARS (Million) | YEN (Billion) | EXCHANGE RATE
|----------------------|-------------------|--------------|----------------
| 1981                 | 383.3             | 87.4         | 228            |
| 1982                 | 371.6             | 92.9         | 250            |
| 1983                 | 385.2             | 90.0         | 236            |
| 1984                 | 358.6             | 87.5         | 244            |
| 1985                 | 407.2             | 89.6         | 220            |
| 1986                 | 595.0             | 94.6         | 159            |
| 1987                 | 663.3             | 92.2         | 139            |
| 1988                 | 896.2             | 116.5        | 130            |
| 1989                 | 965.4             | 125.5        | 130            |

calculated only in yen. However, converting yen to U.S. dollars (nominal) resulted in an increase of 73 percent.

**E. FOREGONE REVENUES AND OTHER COMPENSATION**

In addition to the direct support items detailed above, Japan considers foregone revenues as part of its support for United States' forces in Japan. Foregone revenues include exempted tolls, taxes, and land rents, i.e., charges that USFJ does not have to pay to Japan.

The United States is exempt from taxes on petroleum products supplied from Japanese refineries, and from supplies and equipment purchased from the local economy. Customs duties on official imports, and highway tolls on official

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*Average annual rate supplied by USFJ.*
travel are also exempt. In 1989 Japan estimated the rental value of GOJ-owned land provided free to United States' forces at 54 billion yen ($415 million).

Other costs in this category include compensation to Japanese engaged in agriculture, forestry, fishery, etc. when their business operations are adversely affected by USFJ activities, e.g., aircraft take-offs and landings or landing amphibious vehicles. Also included are SOFA Article XVIII claims and other Defense Facilities Administration Agency costs.

F. CONCLUSIONS

A summary of the total host nation support costs incurred or foregone by the GOJ since 1979 is provided in Table 7 (Shinmori, 1990, p. 1)
TABLE 7
HOST NATION SUPPORT

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>JAPANESE TOTAL COSTS (Billion Yen)</th>
<th>AMOUNT\textsuperscript{8} (Million $)</th>
<th>EXCHANGE RATE (Yen equal to $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>118.4</td>
<td>508.2</td>
<td>233</td>
</tr>
<tr>
<td>1980</td>
<td>198.8</td>
<td>916.1</td>
<td>217</td>
</tr>
<tr>
<td>1981</td>
<td>213.3</td>
<td>935.5</td>
<td>228</td>
</tr>
<tr>
<td>1982</td>
<td>231.8</td>
<td>927.2</td>
<td>250</td>
</tr>
<tr>
<td>1983</td>
<td>241.0</td>
<td>1021.2</td>
<td>236</td>
</tr>
<tr>
<td>1984</td>
<td>259.4</td>
<td>1063.1</td>
<td>244</td>
</tr>
<tr>
<td>1985</td>
<td>265.1</td>
<td>1205.0</td>
<td>220</td>
</tr>
<tr>
<td>1986</td>
<td>281.1</td>
<td>1767.9</td>
<td>159</td>
</tr>
<tr>
<td>1987</td>
<td>304.8</td>
<td>2192.8</td>
<td>139</td>
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<tr>
<td>1988</td>
<td>349.5</td>
<td>2688.5</td>
<td>130</td>
</tr>
<tr>
<td>1989</td>
<td>389.4</td>
<td>2995.4</td>
<td>130</td>
</tr>
</tbody>
</table>

This chapter provides program descriptions and funding levels for five areas of Japanese responsibility sharing: Japanese Facilities Improvement Program; Labor Cost Sharing; Relocation Construction Program; Base Countermeasures and Cost of Private Land; and Foregone Revenues and Other Compensation. Chapter IV of this thesis provides an analysis of the future direction of United States/Japan responsibility sharing. The Persian Gulf crisis has surfaced some significant new issues in defense responsibility sharing. The options and constraints for using Japanese forces in the multilateral

\textsuperscript{8}These amounts should be considered the total the United States government is saving as a result of responsibility sharing with the GOJ.
Persian Gulf Iraq embargo effort also is addressed in Chapter IV.
IV. DIRECTION OF RESPONSIBILITY SHARING FOR THE FUTURE

This chapter provides an analysis of the short- and long-term future of United States/Japanese responsibility sharing in the five areas indicated in previous chapters. This discussion does not presume knowledge of current negotiations, their priorities, or their political implications. It is an effort to speculate on the impact of increases and/or decreases to current responsibility sharing positions and to focus specifically on the impact of change for the United States Marine Corps. It is the author's opinion that the United States will not accept Japanese decreases in any area of responsibility sharing. Obtaining high quality information on the current state of negotiation is difficult as these deliberations are classified and sensitive. More information will be available sometime in 1991.

A. JAPANESE FACILITIES IMPROVEMENT PROGRAM

Current spending levels of $87 million to support the Marine Corps may not continue in the future. The island of Japan is limited in the amount of area remaining upon which to build. In addition, the remaining area is highly valued by the local prefecture and residents. Local pressure against granting construction permits, for environmental and other reasons, has halted construction.
The FY 1989 U.S. Defense Appropriation Act placed a troop strength ceiling on the number of service members assigned to permanent duty ashore in Northeast Asia. This Northeast Asia Troop Strength (NEATS) ceiling specifies that the number of active duty military assigned to Korea and Japan must not exceed 94,450 on September 30, 1990 and thereafter. To reflect the Marine portion of that ceiling, the Military Personnel, Marine Corps (MPMC) Office of Secretary of Defense Budget, Fiscal Year 1992/1993 currently exhibits the following end strengths for Japan: FY 1990--24,483; FY 1991--25,844; FY 1992--23,420; and FY 1993--22,495. The end-strength reduction of 1988 from FY 1990 to FY 1993 provides evidence to the GOJ that the possibility exists for some currently used buildings to become unoccupied. These buildings include not only administrative and maintenance facilities but the family housing structures. Off-base Japanese landlords currently have empty rental housing and therefore are against building additional family housing regardless of the end strength projections.

The drawdown of Marines would result in the return of buildings to the Japanese as Marines consolidate remaining forces. Conversion of administrative, family housing, or family support structures to Japanese use will not be difficult. But, alteration of maintenance facilities specially built to accommodate U.S. Marine-unique equipment may present some difficulties. It will be difficult to
convince the GOJ to again build similar facilities in areas where Marines have moved.

Classified earlier as inappropriate to fund with the Facilities Improvement Program, maintenance and repair of U.S. facilities may become another vehicle for the Japanese to show their support. Operations and Maintenance, Marine Corps (O&M, MC) provides funding for the category of support. With the reduction in personnel, it may be expected that the level of O&M, MC support will be decreased. Additional pressure will be placed on the GOJ to assume maintenance and repair of facilities to allow the Marines to maintain their offensive capabilities.

B. LABOR COST SHARING

Assuming Japanese payment of a portion of base pay, and continuing the full payment of the allowances of the Japanese nationals hired in support of the United States government, this would serve as a tangible demonstration that the GOJ fully supports the presence of the American military. To do so, the GOJ will need to reevaluate its interpretation of the SOFA. Currently, the GOJ believes Article XXIV of the SOFA prohibits it from paying direct labor costs. Basic salary is identified as a direct cost. Base pay is another yen-based cost that can be funded by realignment of funds from other categories if the rate of exchange is higher than that budgeted.
Initially, a small percentage of the base pay will be assumed by the GOJ with the percentage increasing in the future. Assumption of 100 percent of base pay and allowances on a permanent basis without the United States' government relinquishing any of its management control is the ultimate United States goal.

C. RELOCATION CONSTRUCTION PROGRAM

Although relocation of the Marines by the GOJ will not occur, the consolidation mentioned earlier in this chapter may result in increased spending in this program. It is possible that the Japanese public would be more amenable to increased expenditures in this program since it could be interpreted that the GOJ was the impetus for the United States' forces relocation.

D. BASE COUNTERMEASURES AND COST OF PRIVATE LAND

Consolidation of Marine forces in specific areas will increase the need for noise suppression, disaster prevention, and environmental improvements at those locations. The same situation will occur here as has occurred in the Facilities Improvement Program. The requirement for like accommodations in the new location will be present and may be more urgent with a higher concentration of forces.

The GOJ will be able to relinquish land no longer used by the Marines to Japanese owners. The fair rental value of these lands no longer paid to private owners will result in
some savings to the GOJ. However, the economic impact to the private owners is an unknown. It is possible that they will be able to sell it to real estate developers. This may alleviate cramped Japanese housing conditions and increase the possibility of Japanese home ownership (San Jose Mercury News, November 11, 1990, p. A25).

E. FOREGONE REVENUES AND OTHER COMPENSATION

The amount of supplies and equipment purchased from the local economy will decrease with the drawdown of Marines from Japan. Foregone revenues for customs duties on official imports, and for highway tolls on official travel will also decrease. Any GOJ-owned land provided free to Marine forces no longer occupied after consolidation will become available for other uses. Compensation paid to Japanese engaged in agriculture, forestry, fishery, etc., may decrease in the areas that Marines vacate but may increase in the consolidated areas.

Other issues do not currently fit into the above five categories for which the United States could feasibly request monetary assistance from the GOJ. A greater share could be requested to support the O&M,MC costs to operate and maintain the bases and stations and to assist in the support of Marines and their dependents. Morale, welfare, and recreation funds to support community enhancements are being reduced by the United States, which may further the U.S. troop isolation from
the Japanese community. The presence of Marine dependents stabilizes the United States' force and improves morale while benefitting the Japanese communities at the same time.

If the GOJ assumed a greater share of insect/pest control, utility costs, beautification/environmental improvements to the bases, and engineering support, the Marine funding used for those areas could be reallocated. Utilities are a yen-based cost. Dependent on the current exchange rate, utility payments will continue to drain funds normally set aside for maintenance and repair, training and exercises, and sustainability. Greater Japanese contribution to community support programs to subsidize cultural events, provide discount tickets or vouchers for travel to cultural centers, or provide space and facilities for community parks and recreation centers near United States bases and stations would enhance Japanese-American family interaction.

The difference between the Cost of Living Allowance (COLA) paid to Marines stationed in Japan and the cost to maintain a household in the United States also could be born by the GOJ. Entitlements for dependent travel to stateside colleges or for annual leave or emergency travel to the United States for Marines or their dependents might be paid by the Japanese. These costs are currently born by the Permanent Change of Station budget activity in the MPMC budget. This budget consists of over 65 percent of total obligation authority for the Marine Corps. The Japanese contribution to this area
could allow reallocation of funds to other priorities for the Marines. To further reduce out-of-pocket expenses borne by Marines stationed in Japan on accompanied tours, the GOJ could provide relief from the highway taxes presently levied on privately-owned-vehicles.

The unique laws of the GOJ governing the transportation of heavy equipment, weapons, and ammunition for exercises are restrictive and expensive. In order to maintain combat readiness in an ever-declining budget atmosphere, the GOJ could bear the transportation costs to and from training areas, to and from points of embarkation and debarkation, and costs associated with special handling, packing, packaging, and preservation.

Although questionable due to implications for United States forces to be regarded as mercenaries, the GOJ could assume part or all of the Marine forces pay and allowances. While this option might seem distant at the present time, it may be potentially attractive to the United States Congress.

The responsibility sharing options presented here are likely to be addressed, if not in the present negotiations then in future ones between the United States and Japan.
V. CONCLUSION

It remains in the best interest of the United States to maintain a forward deployed forces strategy, continuing its deterrence posture for Japan. Changes in the regional security environment, combined with evolving United States and Japanese domestic political competition will continue to buffet the United States/Japan bilateral responsibility sharing relationship. Political factions in Japan challenge the need for and merits of the United States/Japan security alliance. The United States trade deficit and federal budget stress will remain as problems that stimulate requests for Japan to increase its United States forces' support contribution. There will be greater pressures in Congress to reduce the amount of money American taxpayers spend on defense. "Well-to-do" allies, such as Japan, will be expected to pick up a larger portion of the tab. The concern over renewed Japanese militarism may not be enough to prevent a gradual buildup of Japanese Defense Forces as the United States Marines and other United States defense forces begin to draw down their Japanese presence as a result of United States defense budgetary cuts.

The answer to the question of benefit from the United States presence in Japan is that both countries benefit. The answer to whether each country is contributing its fair share
is not as easy to address. Comparisons are based on data provided by each country, each with its own budgetary, financial, and tax systems. Additional problems are created by fluctuations in exchange rates and accuracy of inflation indicators. However, those who are not appreciative of the complexities involved in United States/Japan defense relations use the following statistics to support the concept of the Japanese "free ride." Japan's economy of $9134 billion is second only to the United States of $10,141 billion (Report on Allied Contributions to the Common Defense, April 1990, p. B/8). The belief that American taxpayers are shouldering a disproportionately high percentage of the cost of maintaining security in Japan is based upon comparison of per capita expenditures of $1190 per American vice $236 per Japanese. Japan ranks 12th out of 16 countries in per capita defense spending (Report on Allied Contributions to the Common Defense, April 1990, p. A/40). Japan's current five-year defense plan (1986-1990) was fully funded but it only allocated one percent of its GNP for defense. In November, 1990, after nearly a month of rebuffing the United States' request for greater Japanese participation in current Mideast operations, the Japanese announced a limited support package. Of the four areas of assistance requested (economic help to Mideast countries, help in sealift and airlift of American troops and materials, financial assistance for the U.S. military forces, and some form of naval presence in the
Persian Gulf), Prime Minister Toshiki Kaifu offered $1 billion to multinational forces, two civilian aircraft and two ships for the transportation effort. Polls taken a week after the support announcement showed that 59 percent supported the government's financial aid but between 73 and 83 percent opposed dispatching Japanese SDF to the Persian Gulf. The GOJ anticipated Japanese public reaction and took into consideration the likelihood that victims of Japanese wartime aggression would feel uncomfortable when it announced its intention. Japan subsequently offered a 100-member medical team to be sent to Saudi Arabia to provide humanitarian assistance and increased its financial commitment to a total of $4 billion. Of this $4 billion, $2 billion will go to the multinational force and $2 billion to the countries suffering the most severe economic impact (Los Angeles Times, September 19, 1990, p. A1). Part of the $2 billion support to the multinational forces includes items to help support morale and welfare in addition to military equipment. (See Table 8, United States Commander in Chief Central Command message P220830Z Oct 1990). Prime Minister Kaifu recently yielded to anti-military sentiment in Japan by discontinuing his effort to pass a bill that would have authorized deployment of Japanese troops to the Mideast (San Jose Mercury News, November 8, 1990, p. A3).

While Japanese and other financial aid to Persian Gulf efforts is welcomed by the United States as well as the United
TABLE 8
GOJ CONTRIBUTION ALLOCATIONS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>MARINE FORCES</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td>Color TV</td>
<td>250</td>
<td>2,000</td>
</tr>
<tr>
<td>VCR</td>
<td>250</td>
<td>2,000</td>
</tr>
<tr>
<td>Stereo System</td>
<td>250</td>
<td>2,000</td>
</tr>
<tr>
<td>Walkman</td>
<td>6,600</td>
<td>37,000</td>
</tr>
<tr>
<td>Desk Personal Computer</td>
<td>13</td>
<td>105</td>
</tr>
<tr>
<td>Lap Personal Computer</td>
<td>15</td>
<td>149</td>
</tr>
<tr>
<td>Laser Printer</td>
<td>14</td>
<td>100</td>
</tr>
<tr>
<td>Software</td>
<td>28</td>
<td>249</td>
</tr>
<tr>
<td>Copier</td>
<td>8</td>
<td>58</td>
</tr>
<tr>
<td>Fax Machine</td>
<td>7</td>
<td>42</td>
</tr>
<tr>
<td>Mini Van</td>
<td>8</td>
<td>71</td>
</tr>
<tr>
<td>Fueler 5K</td>
<td>1</td>
<td>6</td>
</tr>
</tbody>
</table>

Nations, one cannot help but wonder if the $4 billion Persian Gulf pledge will present a barrier to any further increases in responsibility sharing for the United States forces currently in Japan. Will the Japanese people allow further increases in host nation support in addition to contribution to this recent international crisis?

Adding to difficulties in negotiations for the United States is the institutional memory the Japanese have regarding previous United States promises while the United States is confronted with a high turnover of personnel. The Japanese are able to slow down the process and keep the U.S. off guard by bringing up issues the U.S. is unprepared to discuss. The
Japanese can thereby delay decisions that are politically unsatisfactory to them.

As the United States looks to the future of its responsibility sharing relationship with Japan, it is clear that the best approach will require a combination of patience, perseverance, and innovation in order to adjust to regional and global changes while preserving the U.S. presence in Japan. Japan's willingness to assume a greater financial support role is critical if this process is to continue. The U.S. bilateral relationship with Japan is of tremendous economic and political importance to both nations. Maintaining a substantial presence in Japan for the geographically strategic location of United States bases, and consequent cost effectiveness is of primary importance. Although the U.S. expects the risk of military confrontation between superpowers to diminish as the turn of the century approaches, its presence in Japan as a balancing force in Asia is viewed to be essential. Forward deployed forces in Japan constitute less than six percent of total U.S. forces, a relatively small investment for a rapid and flexible response capability in strategically important part of the world.

Responsibility sharing with Japan must be viewed in terms of national goals and strategies. It allows the United States to preserve its own as well as Japanese independence, integrity, freedom, and economic stability.
LIST OF REFERENCES


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Shinmori, Bill, Facilities, United States Forces Japan, Transcript of Interview, 20 August 1990.


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<thead>
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