

AN INTERVIEW WITH STEPHEN J. SOLARZ

JAMES P. SEEVERS

FORUM: You have mentioned in the past that you agree with Ambassador Mansfield's assertion that the U.S.-Japan relationship is probably the United States' most important bilateral relationship in the world today. Would you still hold that to be true?

SOLARZ: I think it remains our most important bilateral relationship because of the contribution which it has made to the peace and prosperity of not only our two countries, but of the world. The maintenance of a close and constructive relationship between our two countries will be a very significant factor in determining the future of the global economy and the hopes of mankind for the preservation of peace in the Pacific.

FORUM: Specifically, would you put such a high priority on this bilateral relationship because of economic factors, security factors, or a mixture of both? Which has a greater importance in this relationship?

SOLARZ: I think they are both important — clearly the economic dimension of the relationship is an extraordinarily important one. Our two-way trade is larger than the GNP of most countries in the world. We have each contributed to the economic well-being of the other, and the continued viability of American-Japanese economic relations is essential if we are going to sustain any hope of continued global economic growth. But there is also an important security dimension to the relationship. The willingness of Japan to cast its lot with the West in general, and the United States in particular, in security terms, has profoundly significant strategic implications for the entire global balance of power. If we ever came to a parting of ways with Japan, and Japan decided that its interests were better served in the context of a closer relationship with the two great communist powers that are much nearer to it geographically than the United States — the Soviet Union and the Peoples Republic of China — it would have profoundly disturbing and destabilizing consequences for the overall balance of power between East and West. If the population and resources of China and the military might of the Soviet Union were ever harnessed to the technological prowess of Japan it would constitute a truly formidable combination that would pose a very serious threat to long-term American and Western interests. So I think that both in terms of its contribution to the growth of the world economy as well as in terms of its

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contribution to the preservation of the global balance of power, Japan has a very important role to play in the context of a continued close relationship with the United States.

FORUM: There seems to be some controversy right now in the U.S. government regarding Japan's role in the Western Alliance. As is well known, Japan's Peace Constitution severely constrains the nation's defense policy. Last January the Japanese government decided to allocate \$22 billion to defense spending, which broke the decade-old, self-imposed prohibition against devoting more than one percent of GNP to the military. Do you see that as a major policy shift or breakthrough for Japan?

SOLARZ: I think that it probably has more significance in the domestic political context.

FORUM: For Japan or the United States?

SOLARZ: For Japan. The fact of the matter is that by NATO accounting standards Japan has already been spending over one percent of GNP on defense. I calculate that if you use the same accounting standards that NATO applies to the countries which belong to the Atlantic Alliance, the Japanese are spending about one and a half percent of their GNP on defense. If you were to add to that the \$1.5 billion a year that they are spending for the maintenance of American bases in Japan and the approximately \$8 billion a year they are spending on official development assistance, a case could be made that they are spending close to two percent of their GNP on what might be characterized as security-related expenditures. So, I think that the one percent of GNP limit on defense which they breached last year is really more significant in a domestic Japanese context than it is in terms of the larger world.

FORUM: Do you think it also symbolizes a Japanese willingness to accede to American insistence that they spend more on defense, that they share some of the burden?

SOLARZ: Well, I think it represents a growing and gradual recognition on the part of the Japanese that as their economic power increases so too do their other responsibilities, and particularly now that they have the capacity to make a greater contribution to their own defense. I think that they have a responsibility to do so. I do not think it would be in Japan's interests, and I certainly do not think it would be in our interests, for Japan to become a superpower, or even a regional military power. That would create great concern and even consternation on the part of many countries that have not yet forgotten what happened to them at the hands of Japan in the Second World War. But Japan certainly can do considerably more than it has been doing to contribute to its own defense in cooperation with the United States. Although we have undertaken a commitment to defend Japan from aggression in the

Mutual Security Treaty, we are simply not in a position to defend Japan all by ourselves. We need the help of Japan in order to fulfill that responsibility, and there is considerably more Japan could do to make it easier for us to fulfill our responsibilities to them in the event that they are the victims of aggression. In any case, more important than the actual amount of money that they spend are the roles and missions which they are prepared to undertake. Here they have committed themselves to protecting the territorial waters of the home islands, to protecting the sea-lanes out to a thousand miles, to defending their own skies from the incursions of hostile aircraft, and to closing the straits in time of war. Such an ability would enable us to bottle the Soviet fleet up before it could emerge into the waters of the Pacific. That is where Japan needs to be doing more, and those are the areas where we should be encouraging them to beef up their capabilities.

FORUM: Do you think it was a mistake for the House of Representatives to pass a resolution insisting that Japan spend three percent of its GNP on defense? Is U.S. policy going in the wrong direction?

SOLARZ: I think that was an unwise action on the part of the House. First of all, I am not sure where they got the three-percent-of-GNP figure from. Secondly, I do not think it is appropriate for one country to specify to a friendly country the amount of its GNP it should be spending on defense. Thirdly, based on the calculations I have done, that amount of money would put Japan in a position — given the size of its GNP — to become a regional military power, and would give it a military ability that clearly went beyond what it would need in order to more effectively defend itself. The emergence of Japan as a country capable of projecting power outside of its own territory would have potentially destabilizing consequences throughout the region, and might even induce the Soviets and the Chinese to start spending substantially more on defense, in order to deal with what they then might see as a potential threat of Japanese aggression. That could very easily force us to then start spending more on defense as well. Therefore, this could set in motion a cycle of increased defense spending in Moscow, Beijing, and Washington that would leave all of us, including Japan, less secure than we would have been had Japan not embarked on such a massive increase in the level of its defense spending. So, for all of these reasons, I think it was an unwise idea and entirely counterproductive.

FORUM: It seems you are arguing that Japan should not become a regional military power, but there is talk that when the U.S. base rights in the Philippines are up for renegotiation, that perhaps Japan should become more involved with U.S. security efforts in that region. Is that something you think the United States might want to pursue?

SOLARZ: I think we already cooperate with Japan in a number of ways. We have 45,000 American troops in Japan, which constitute a strategic reserve

in Asia. We have important military facilities there, and in the event of hostilities on the Korean peninsula, Japan would be a very important place for us to use in terms of resupplying our forces and our allies on the Korean peninsula. Obviously, if we were to lose our access to Clark Field and Subic Bay we would have to develop alternative facilities in the region if we were going to maintain a forward defense posture in the Pacific. The Seventh Fleet could not maintain a viable presence in the Pacific if it had to go back to San Diego or Honolulu every time repairs were needed. There is no one site which would substitute for Clark Field and Subic Bay, and this would undoubtedly require us to make greater use of our existing facilities in Japan as it would in other countries in the region as well.

FORUM: But if you take the opposite direction, and assume we have not lost our bases in the Philippines, do you think it might be possible that Japan would contribute somehow to the United States' maintenance of, or involvement in, those bases in the Philippines?

SOLARZ: Japan could make a very useful contribution to the cause of political pluralism and economic growth in the Philippines by substantially increasing the level of its foreign assistance program in that country. In fact, I would like to see Japan and the United States join together in proposing a kind of Marshall Plan for the Philippines which could make available the kind of additional resources which would enable the new democratic government to consolidate its position and to contain the communist challenge it now confronts. Next to the people of the Philippines themselves, there are no other countries that would be hurt more by a failure of democracy in the Philippines than the United States and Japan. The collapse of the Aquino government would undoubtedly pave the way for the eventual emergence of the communists as the ruling power in the Philippines, which would undoubtedly obligate us to withdraw our forces from Clark Field and Subic Bay, which in turn would significantly impair our capacity to preserve the peace and maintain the balance of power in Asia. This would have very serious consequences not only for the United States but Japan as well. This is a time for both Japan and the United States to put their money where their mouth is by providing the Philippines with the sort of timely infusion of additional military and economic assistance that would enable the government there to do a much better job in dealing with the problems it confronts.

FORUM: Another area where the United States government sometimes asks Japan to do more is in the Persian Gulf. It says that the Japanese should play a bigger role in protecting their oil supplies. Do you think that is legitimate or misguided — how do you stand on this issue?

SOLARZ: I think it is legitimate because about 50 percent of all the oil which is exported from the Persian Gulf goes to Japan. Japan, perhaps more so than any other country therefore, has a very real interest in keeping the

Gulf open and protecting the flow of oil from the Gulf to the rest of the world. At the same time, we ought to recognize that there are limitations on what Japan can do by virtue of the Peace Constitution which was more or less imposed on it after the end of the Second World War. Consequently, I think we should be asking Japan not to send its navy to the Gulf, which it cannot and will not do, but to help subsidize the cost of our efforts there to protect the reflagged Kuwaiti ships which we undertook to protect a few months ago. I have reason to believe the Japanese are moving in that direction. If they do, I think it will be warmly welcomed here in the United States, and will be seen by the American people as a recognition on the part of Japan that they stand to benefit from what the United States is doing in the Gulf and are therefore prepared to support it in tangible and meaningful ways.

FORUM: Do you think it possible that those in the United States who advocate that Japan should substantially increase its military power ignore the fact that Japan's interests sometimes do not now, and certainly might not in the future, coincide with American interests? In other words, is there an implicit assumption that Japan's interests are identical to the United States' interests?

SOLARZ: I think we have a mutuality of interests, but not an identity of interests, and for the foreseeable future our interests, certainly our strategic interests, overlap much more than they differ. Therefore, given the extent to which we do have a commitment to defend Japan if it should be the victim of aggression, I think we clearly have an interest in Japan having an ability to make a much more meaningful contribution to its own defense and cooperation with us.

FORUM: The Japanese officially came on board President Reagan's SDI program in the fall of 1986. Assuming the program continues, do you think it will enhance cooperation between the two nations, or create more problems?

SOLARZ: Well, I favor very real limitations on the SDI program. That is essential if we are going to get an agreement with the Soviets in Geneva to substantially reduce offensive strategic nuclear weaponry. Insofar as we are committed to the SDI program, I have no problem with parts of it being conducted in friendly countries like Japan.

FORUM: We have already seen issues of defense technology create considerable strain in the relationship over the past year. Was Congress's reaction to the Toshiba incident based on emotion and frustration, or was there genuine concern over perceived damage done?

SOLARZ: I think it was based on both. There is no doubt that emotions were running very high, as manifested by the rather crude display of resentment

demonstrated by some of my colleagues who took a sledgehammer to a Toshiba cash register on the steps of the Capitol.

FORUM: You did not participate in that?

SOLARZ: I did not participate nor would I have joined in such a crude and counterproductive demonstration if I had been invited to. I must note however, they apparently made no efforts to take the same sledgehammer to Norwegian sardine cans, which led some people to raise questions about the true motivations for their actions. But at the same time that emotions were running very high, there were also very considerable and perfectly understandable concerns on the part of members of Congress about the implications of this diversion of technology, in violation of COCOM regulations, to the Soviet Union. It not only impairs our security, but has created the requirement for the expenditure of what could be billions of dollars in order to overcome the acquisition of this technology by the Soviet Union. I think, however, that the approach which many of my colleagues in the Congress, and particularly in the Senate, have taken to this is likely to be counterproductive. They seem to be motivated more by desire for revenge than an interest in devising a thoughtful approach to the problem of preventing such diversions and developments in the future. I would like to see legislation emerge from all this which applies penalties against any and all major violators of COCOM regulations rather than to have it apply retroactively and selectively against Toshiba. Retroactive sanctioning would not make any particularly significant contribution to the effort to prevent this from happening in the future, but it would significantly increase tensions with Japan. The Japanese would very much resent it. But if we apply a prospective and across-the-board approach I think we can deal with the problem of preventing this from happening in the future without gratuitously creating real problems for the United States in its relationship with Japan. However deplorable the action taken by Toshiba Machine Company, we ought not to blame it either on the Japanese people nor on the Japanese government. They are taking steps, as I understand it, to hold those guilty of this diversion responsible, and they are also attempting to tighten procedures for preventing such diversions in the future. I think these ought to be seen as significant steps on their part, and ought to be sufficient to obviate the necessity for the imposition of Draconian penalties against Toshiba.

FORUM: So far in our discussion we have been hinting at the linkage made by many commentators between economic and security issues in the U.S.-Japan relationship. Some argue that the fact that Japan does not have to spend so much on defense allows it to be more economically competitive, and this in part accounts for its huge trade surplus. Do you see any validity to this line of argument?

SOLARZ: I am not an economist, but it strikes me that there is some truth to it. Obviously, if a country has to spend less on defense, and has more to spend on research and economic development it will have a more productive economy than would otherwise be the case. But we have to consider the consequences of having Japan transfer substantial resources it now spends on its economy into defense. That would create a whole series of other problems, some of which I described previously, which would not be in our interests to have to confront. And on balance, I think that we are much better off with Japan spending a much smaller percentage of its GNP on defense than we are. Keep in mind that even if Japan incrementally increases its defense spending to the levels suggested by some of my colleagues in the Congress — two to three percent — it would still be spending far less of its GNP on defense than we are. And I know of no one who is seriously suggesting that Japan should spend six percent of its GNP on defense — because of the destabilizing consequences of such a development. Therefore, I think this argument is a little bit disingenuous because no matter what level Japan can realistically be persuaded to increase its defense spending to, it will remain a substantially smaller percentage of its GNP than we spend as a percentage of our GNP on defense in the United States.

FORUM: What is your opinion on the Omnibus Trade Bill currently under consideration by a House-Senate conference? Specifically, could you evaluate the provisions contained in both versions of the bill that would require retaliation against a trading partner that is found to be a consistent unfair trader? I am referring to the Gephardt amendment and its counterpart in the Senate bill.

SOLARZ: The Gephardt amendment is not unlike the title of one of William Shakespeare's plays: *Much Ado About Nothing*. Both the supporters and opponents of the Gephardt amendment for their own reasons have blown this legislation up into something far more significant than it really is. Indeed, it can fairly be said that the Gephardt amendment has much less to it than meets the eye. On the one hand, it contains a presidential waiver which gives the President the right to forego the retaliatory provisions of the legislation if he believes that it would not be in the economic interests of the country to mandate an annual reduction in the trade deficit with one of our trading partners by 10 percent or more per year. On the other hand, in my view, the Gephardt amendment does not confer any powers of retaliation on a foreign country for unfair trading practices that the President does not already have through sections 301 and 201, which are already in the trade law. In short, the Gephardt amendment does not give the President the power to do anything he does not already have the power to do, and it does not obligate the President to do anything he does not want to do. It is more symbol than substance.

FORUM: Then it would not necessarily damage or help American or Japanese interests?

SOLARZ: I think it is unlikely. In the event it becomes law, I rather doubt that it would be implemented. And if it were implemented you would not have needed the Gephardt amendment to use that approach.

FORUM: If the trade bill should pass with this type of provision in it — which is perceived to be protectionist — would it create tension in the U.S.-Japan relationship?

SOLARZ: I think that ultimately its impact on our relationship with Japan would depend largely on how it is implemented. I do not think the adoption of the amendment *ipso facto* will result in retaliation. Certainly, it will raise concerns considerably, largely because most foreigners do not really understand it. Indeed, a lot of Americans do not understand it. But the ultimate proof will be in the pudding. It is not clear what we would do. Let me state it another way. I think that if Dick Gephardt were to become President, and if the Gephardt amendment were not enacted into law, he would be in a position to implement the approach called for in this amendment by using existing authorities in the law. Whereas, if Jack Kemp became President, and the Gephardt amendment had been enacted into law, he would be perfectly free to waive the requirements of the Gephardt amendment on the grounds that it was not in the economic interests of the country to implement them, in which case nothing would happen. So, I really believe that the amendment in and of itself is not likely to change our trade policy.

FORUM: Another item that many in the U.S. government focus on is the trade deficit. They look at the massive trade imbalance between the U.S. and Japan and insist that the Japanese must take steps to improve the situation. First, do you believe that the trade balance is an accurate and proper indicator of the health of the economic relationship between these two countries? Should the government be focusing on that as an indicator?

SOLARZ: It certainly is a very important indicator of the economic relationship between our two countries. Bilateral trade deficits in the vicinity of \$60 billion a year are simply not politically supportable over a long period of time. But I think that reality is recognized not only in Washington but in Tokyo. The long-term health of the relationship requires the trade deficit to be substantially reduced. It probably will never be entirely eliminated. What is important is that people see that progress is being made in terms of substantial reduction in the size of the bilateral trade deficit.

FORUM: One of the measures that the Japanese agreed to in order to help reduce this trade deficit was the currency realignment in the fall of 1985.

Given the fact that the deficit has not improved that much, do you think that this is going to lead to more frustration on the part of U.S. legislators?

SOLARZ: It already has resulted in a substantial increase in frustration. At the time that the dollar-yen ratio began to change so dramatically we were all told that the impact of the change would take a while to be felt because of the magical powers of the so-called J-curve. But the J-curve still does not seem to be producing the expected results. It seems more like an I curve than a J curve, or, to put it differently, it may seem like a hyphenated curve. So, I think the failure of the change in the dollar-yen ratio to bring about a substantial reduction in the trade deficit has led a lot of my colleagues to pull their hair and gnash their teeth, and figure out other ways to do something about this problem. The one thing that very few people are willing to do or say is that large deficits on order of \$50 billion a year are a permanent reality with which we simply have to live. There is a feeling that significant reductions from that level both must and can be made. The differences exist over what those actions should be.

FORUM: There has been a great deal of talk over the last several years about the "Ron-Yasu" relationship, implying that these two leaders share an unusually high degree of friendship and warmth. Do you think that this connection really has played a significant role in the the U.S.-Japan relationship, and will the fact that they are both leaving office within the next year have an effect on the future of the relationship?

SOLARZ: I think that it has contributed to a better relationship between our two countries. Each was sensitive to the concerns of the other, and perhaps somewhat more accommodating than they otherwise might have been. But I do not think that U.S.-Japan relations hinge primarily on the personal relationship between the President and the Prime Minister. I think they are based on far more significant and fundamental factors than that. So I would not anticipate any major deterioration in the relationship once the two of them leave. Indeed it is entirely possible that their successors will develop a close relationship as well.

FORUM: Finally, as an influential member of the House of Representatives and a major player in many foreign policy debates, would you be willing to outline your thoughts on what the next administration's approach should be to the U.S.-Japan relationship?

SOLARZ: I think that we basically have a choice in dealing with Japan. We can continue the efforts of this and previous administrations to persuade Japan to increase incrementally its defense spending and to agree to further openings of its markets. Or, we can strike out boldly in a new direction, which is what I would like to see us do, by attempting to negotiate with Japan the same kind of free-trade agreement we just negotiated with Canada. What I have in

mind is that both countries would agree to remove virtually all of the tariff and non-tariff barriers to trade between our two nations by the end of the century. If we could reach an agreement on such a concept, it would be very helpful politically in defusing tensions between the United States and Japan, and it would also lay the groundwork for our two countries to make the same kind of contribution to the promotion of global economic prosperity in the twenty-first century that we both made in the latter part of the twentieth century.