

BY THE COMPTROLLER GENERAL
Report To The Chairman, Committee On
Appropriations, House Of Representatives
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OF THE UNITED STATES



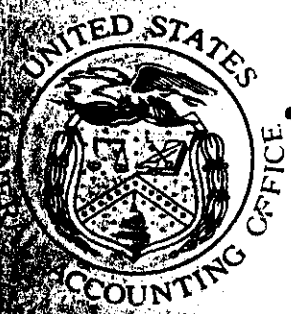
Host Nation Support Of U.S. Forces--
Our Experiences With Japan [7H 33.b.xi]

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-198641

The Honorable Jamie Whitten
Chairman, Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

In response to your November 29, 1979, request and subsequent meetings with Committee staff, we reviewed the amount and types of host nation support provided by our allies to U.S. military forces stationed overseas. This report, one in a series, outlines financial and other support currently provided by Japan to U.S. forces, points out opportunities for additional cost sharing, and discusses the pros and cons of renegotiating the Status of Forces Agreement to achieve more host nation support.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days from the date of the report. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Comptroller General
of the United States

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Enclosure

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[REDACTED]

[REDACTED]

CURRENT SUPPORT

Japan already makes significant contributions to the cost of maintaining U.S. forces in Japan, spending approximately \$800 million in 1970. The United States benefits significantly from Japan's support.

[REDACTED]

U.S. forces have benefited from Japan's construction programs by receiving new and upgraded facilities and achieving increased operational efficiency through consolidation.

[REDACTED]

Although generally share in local national labor costs based on its interpretation of the Status of Forces Agreement, Japan has begun paying certain labor cost categories which it views as indirect rather than direct labor costs.

[REDACTED] the \$57 million of local

[REDACTED]

[REDACTED]

COMPTROLLER GENERAL'S REPORT
TO THE CHAIRMAN, COMMITTEE
ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

HOST NATION SUPPORT OF U.S.
FORCES--OUR EXPERIENCES
WITH JAPAN

D I G E S T

The U.S. military presence in Japan, including a homeported aircraft carrier, four Air Force tactical squadrons, and a Marine combat division, makes vital contributions to the security of Japan and the entire Pacific region. In recent years, Japan has been expanding its defense capabilities and increasing its share of the cost of maintaining the U.S. military presence. Still, Japan has retained its policy of limiting defense spending to less than 1 percent of gross national product,

[REDACTED]

The U.S. Government has consistently urged Japan to increase its defense spending so it can share more of the burden of Western defense in the Pacific. At the same time, U.S. officials call for increased cost sharing by Japan to reduce the cost of U.S. forces stationed there.

[REDACTED]

C-ID-81-1

[REDACTED]

[REDACTED]

national labor costs Japan has so far assumed

[REDACTED] Because of the higher base pay rate and additional benefits and allowances, Japanese national employees of U.S. forces earn more than their counterparts in the Japan National Public Service. In addition, Japan incurs \$14 million annually for labor administration. (See p. 14.)

OPPORTUNITIES FOR ADDITIONAL SUPPORT

[REDACTED] opportunities exist for Japan, if it so elects, to increase the level of host nation support it provides for U.S. forces.

RECOMMENDATIONS

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

AGENCY COMMENTS

The Department of Defense disagreed with GAO's draft report and did not accept any of GAO's recommendations, citing what Defense officials believed to be errors and misstatements throughout the report. Defense agreed that the Japanese Status of Forces Agreement should not be renegotiated and that the agreement does not necessarily limit further cost sharing. Beyond that, however, there was little agreement. The Department of State concurred with Defense in finding the report "seriously deficient both in its lack of understanding concerning U.S. policy and its sensitivity to the political environment in which our security relationship with Japan must operate." State did not comment on any of GAO's specific recommendations.

[REDACTED]

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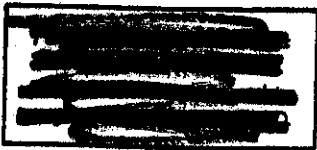
[REDACTED]

GAO has modified the final report somewhat to answer Defense's and State's comments and to clarify the major points, but the message contained in the draft version is essentially unchanged in this final report. GAO found most of their comments to be unfounded or not responsive to the point being made. GAO has added Appendix II to the report detailing Defense's objections and providing GAO's comment and analysis. State's response is reprinted in appendix III.




[REDACTED]

[REDACTED]

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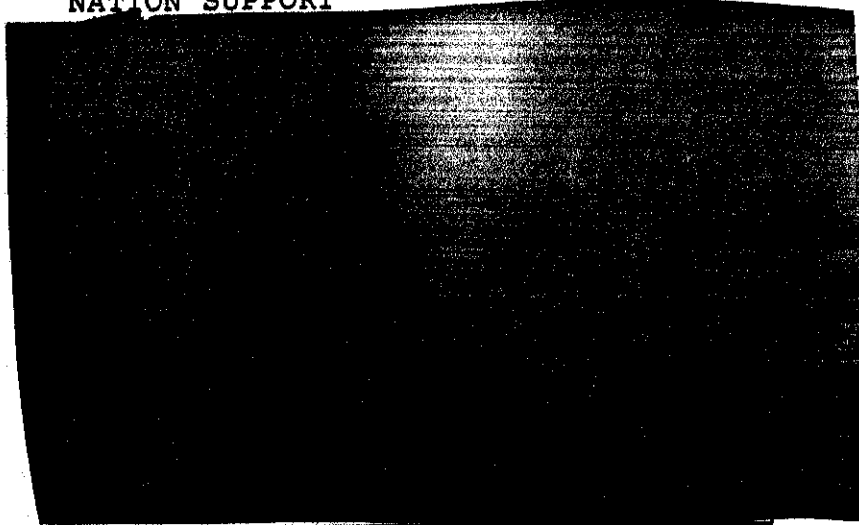
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ABBREVIATIONS

DOD	Department of Defense
GNP	gross national product
GOJ	Government of Japan
JFY	Japan Fiscal Year
JSDF	Japan Self-Defense Forces
SOFA	Status of Forces Agreement
USFJ	U.S. Forces Japan



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CHAPTER 1

INTRODUCTION

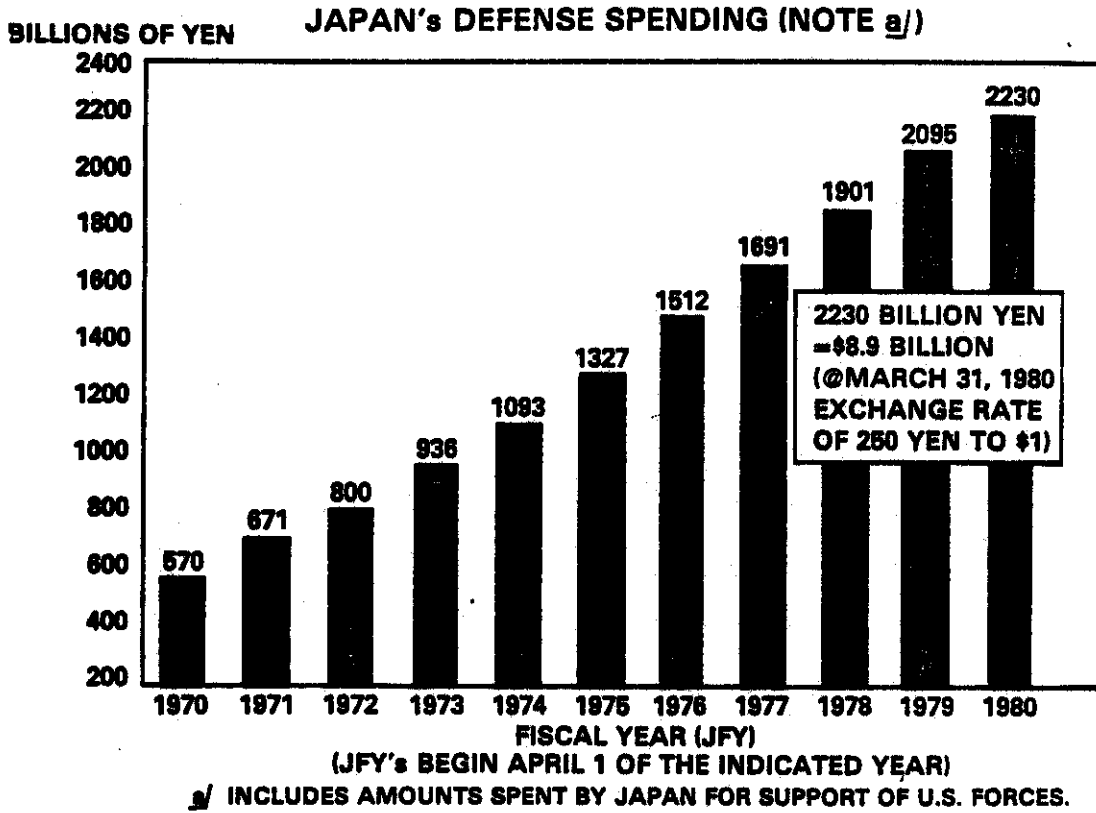
The security arrangement with Japan is a key element of the U.S. commitment to a strong defense posture in the Pacific. Under the terms of the "Treaty of Mutual Cooperation and Security Between the United States of America and Japan," the United States agrees to "act to meet the common danger" in the event of armed attack on Japan and is granted the use of facilities and areas in Japan. The 48,000 U.S. military personnel stationed there--including a Marine combat division, four Air Force tactical squadrons, and a homeported aircraft carrier--represent about one-third of the U.S. Pacific Command force, excluding Hawaii, and the largest concentration in any foreign country in the region.

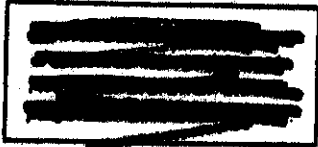
Because Japan's military capabilities are limited to strictly self-defense by its constitution, Japan depends on the security arrangement with the United States to supplement its domestic defense capabilities in dealing with nuclear threats or large scale conventional aggression. Under the Mutual Security Treaty, Japan is not obligated [REDACTED] the United States should U.S. territory or military forces be attacked.

JAPAN'S DEFENSE SPENDING

While restricting the scope of its military to self-defense, Japan has steadily increased defense spending. This increase has occurred despite a national policy limiting defense expenditures to less than 1 percent of gross national product (GNP). Because of significant increases in its GNP, Japan has been able to correspondingly increase defense spending while continuing to observe the limit. Since 1970, its defense budget has almost quadrupled. Using the March 31, 1980, conversion rate, Japan's proposed 1980 defense budget totaled about \$8.9 billion.

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Despite these steady increases, Japan does not rank high among major nations in defense outlays. With either the second or third largest economy in the world, its defense outlays rank only ninth. Furthermore, in relation to its GNP, a commonly used basis for international comparisons, Japan's defense expenditures are also [redacted] as the following chart discloses:

1978 Defense Expenditures (note a)

<u>Ranking</u>	<u>\$ billion</u>	<u>Percent of GNP</u>
1. Soviet Union	\$148.0	11-14
2. United States	105.1	5.0
3. China	40.0	10.0
4. West Germany	21.4	3.4
5. France	15.2	3.3
6. Britain	14.1	4.7
7. Saudi Arabia	13.2	15.0
8. Iran	9.9	not available
9. Japan	8.6	0.9
10. Italy	6.2	2.4

a/Extracted from The Military Balance, 1979-1980. International Institute for Strategic Studies, Great Britain, 1979.

The United States has continued to encourage increased defense spending on the part of Japan, as well as its other allies. While this can be accomplished in a variety of ways, U.S. interest has generally focused on the need for Japan to spend more in improving the capabilities of its military forces and assume more of the costs of stationing U.S. forces in Japan. The latter objective, peacetime cost sharing, has received particular interest in the Congress because of the potential immediate savings to the United States. Similarly, in 1977 and 1978 reports, 1/ we cited the need for a more equitable cost sharing arrangement with Japan and recommended increased cost sharing.

1/"The United States and Japan Should Seek A More Equitable Defense Cost-Sharing Arrangement" (ID-77-8, June 15, 1977); and "Department of Defense Pay Practices For Japanese Nationals Should Be Changed" (FPCD-78-47, May 31, 1978).



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OBJECTIVES, SCOPE, AND METHODOLOGY

Our review was made at the request of the House Committee on Appropriations and focused on peacetime host nation support provided by Japan--what the United States currently receives, what Japan has provided in the past, and what prospects there are for increased support in the future. The Committee specifically asked us to examine the Status of Forces Agreement (SOFA) to determine if it was limiting U.S. chances of obtaining more cost sharing. (See app. I for a copy of the Chairman's letter.) We made the review at Department of Defense (DOD) and State Department headquarters, service and unified command headquarters in Hawaii and Japan, and the American Embassy in Tokyo. At all levels, we interviewed officials responsible for developing and implementing U.S. policy regarding host nation support in Japan and we reviewed documents pertinent to the issue. We did not meet with any officials of the Government of Japan (GOJ), but we did review the official defense white paper prepared by the Japanese Defense Agency.

Although our scope was limited to the sharing of peacetime costs associated with stationing U.S. forces in Japan, we also examined the broader issue of Japan's overall defense spending to the degree it relates to host nation support. It is difficult to separate discussion of the two issues. This report, however, should not be considered a detailed analysis of the overall defense burdensharing issue in Japan and the Pacific.

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[REDACTED]

[REDACTED]

CHAPTER 2

SHARING THE DEFENSE

BURDEN IN JAPAN

Japan's improved economic status has prompted the U.S. Government to encourage Japan to increase defense spending and assume a greater share of the common defense burden. Host nation support is one of the avenues DOD has identified for achieving this objective, in addition to improvements in Japan's defense capabilities.

[REDACTED]

COMPARISON OF U.S. AND JAPANESE DEFENSE EXPENDITURES

The defense postures [REDACTED] of the United States and Japan are vastly different. The United States is committed to worldwide security including a strong defensive posture in the Western Pacific, while Japan limits itself to self-defense.

[REDACTED]

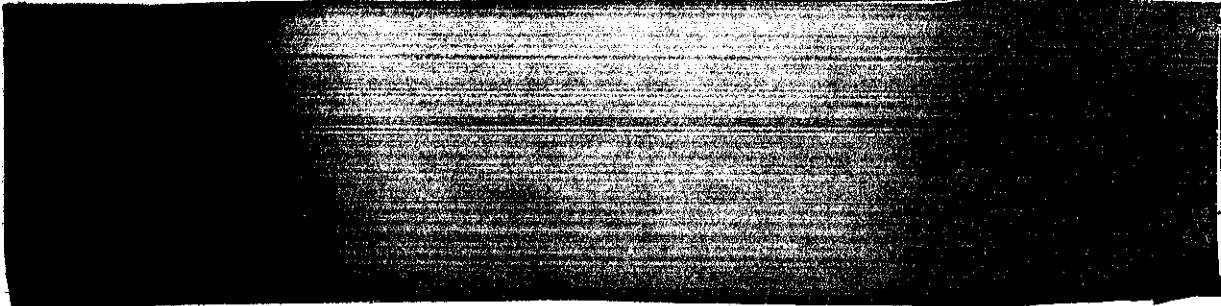
Several methods are used to measure defense burden sharing, one of which is a comparison of total defense expenditures. Japan's total defense budget of \$9 billion ^{1/} in 1980 represents only about 7 percent of the U.S. budget of \$135 billion. A comparison of defense expenditures relative to the countries' economies produces similar results, with the United States spending about 5 percent of its GNP on defense and Japan spending less than 1 percent. Comparing costs associated strictly with the defense of Japan is difficult because of the U.S. regional defense role.

[REDACTED]

^{1/}Based on conversion rate of 250 yen per \$1 at March 31, 1980.

[REDACTED]

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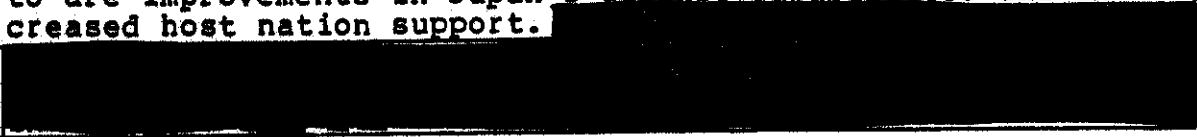


THE UNITED STATES IS SEEKING
INCREASED DEFENSE BURDEN SHARING

The United States is continuing to encourage steady and significant increases in Japanese defense spending to augment the mutual defense capabilities in the Pacific, provide for a more equitable burden sharing arrangement, and reduce U.S. costs. Statements by U.S. officials have repeatedly voiced this policy,



The two major areas normally referred to are improvements in Japan's defense capabilities and increased host nation support.



Force improvements

One of the major areas emphasized by the United States for increased Japanese defense spending has been the need for improvements in Japan's self-defense capabilities. Since November 1978, the United States and Japan have been exploring ways to enhance the mutual security posture through a joint defense planning process. These talks are geared toward planning for the coordinated operations of Japan Self Defense Forces (JSDF) and U.S. forces in the defense of Japan. One objective of these consultations has been to identify ways in which Japan can fortify its self-defense force to augment the mutual defense posture.



[REDACTED]

[REDACTED]

Host nation support

The other major burden sharing alternative emphasized by the United States has been increased Japanese support of the cost of stationing U.S. forces in Japan. Although less significant in terms of dollars, host nation support has received particular attention because it can be directly associated with the U.S. military presence in Japan and results in direct budgetary savings to the United States.

[REDACTED]

The Status of Forces Agreement lays out the basic [REDACTED] arrangement associated with the stationing of U.S. forces in Japan. By providing the land and facilities for U.S. bases, Japan is fulfilling its mutually understood obligations under the SOFA (see ch. 4).

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]



[REDACTED]

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[REDACTED]

[REDACTED]

CHAPTER 3

JAPAN PROVIDES CONSIDERABLE

SUPPORT OF U.S. FORCES

Japan makes significant contributions to the costs of maintaining U.S. forces in Japan. Based on the categories and figures provided by the Government of Japan, the level of support has been increasing as shown below:

<u>Support category</u>	<u>Budgeted outlays</u>		
	<u>Japan Fiscal Year (JFY)</u>		
	<u>1977</u>	<u>1978</u>	<u>1979</u>
	<u>(billion yen)</u>		
Land rentals	71.9	75.2	75.2
Construction	27.8	26.9	43.6
Community subsidies	21.6	27.5	34.9
Labor and labor administration	3.8	8.8	16.2
Administration and other	<u>14.3</u>	<u>15.6</u>	<u>16.5</u>
Total (billion yen)	<u>139.4</u>	<u>154.0</u>	<u>186.4</u>
Average annual exchange rates (yen/dollars)	257	201	228
Total (million dollars)	<u>\$543.2</u>	<u>\$759.5</u>	<u>\$816.0</u>

The U.S. benefits significantly from Japan's support, by avoiding the entire cost of base construction costs.

[REDACTED]

JAPAN FURNISHES LAND AND FACILITIES FOR U.S. BASES

By furnishing the land and facilities for U.S. bases, Japan is fulfilling its financial obligations under the SOFA. This support, which represents most of the total, consists of

[REDACTED]

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[REDACTED]

[REDACTED]

privately owned property, estimated rent on GOJ property, certain compensations to local communities near U.S. bases, and construction of new and replacement facilities.

Rentals for land occupied by U.S. forces represent the largest category of recurring support provided by Japan. During JFY 1979, Japan paid rents of \$154 million to private individuals and local communities and reported an additional \$175 million of estimated rents on GOJ land occupied by U.S. forces. In terms of Japanese currency, total rentals claimed has remained fairly constant, increasing only 7 percent in the past 5 years.

Japan also makes assistance payments to communities near U.S. bases as support of U.S. forces. These subsidies, amounting to about \$153 million annually, include road improvements, noise abatement, and other community improvement projects, and are designed to compensate for the presence of U.S. forces in the community.

[REDACTED]

Facility construction programs benefit

both U.S. and Japan

Under two programs, relocation construction and facility improvement, Japan has been funding most of the construction for U.S. forces, totaling about \$191 million in JFY 1979. The United States has benefited from the programs by receiving new and upgraded facilities and achieving increased operational efficiency through consolidation of its bases.

[REDACTED]

Since 1972, about \$1.1 billion (at 265 yen per \$1 exchange rate) of relocation construction associated with the consolidation of U.S. bases in Japan has been completed or identified. Under the program, Japan has constructed replacement facilities on the consolidated bases in exchange for the return of real estate. Following are the seven major relocation projects initiated since 1972, based on information provided by Commander, USFJ:

[REDACTED]

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[REDACTED]

[REDACTED]

<u>Project</u>	<u>Estimated total cost to Japan (\$ millions)</u>	<u>Percent completed</u>
Kanto Plain Consolidation Plan	\$278	100
Japan Facilities Adjustment Program	260	90
Okinawa Base Consolidation Plan	350	15
Yokohama Housing Relocation Program	125	75
Kanagawa Facilities Consolidation Program	75	50
Consolidation and Reduction of Okinawa Facilities	40	2
Defense Communication System Relocation	--Under Negotiation--	
Total	\$1,128	

[REDACTED] Japan received a benefit from the return of this land. For example, under the Kanto Plain Consolidation Program, the United States released over 6,000 acres, mostly in the Tokyo area, valued at almost \$3 billion. Further, since 1972, the Marine Corps has released almost 1,300 acres in Okinawa.

The facility improvement program is a new initiative by Japan designed to provide new and replacement facilities [REDACTED] Japan began funding the program in 1979, with about \$99 million and \$123 million authorized for the first two sets of construction projects--a mixture of housing and environmental facilities which are still in the design phase and not yet under construction.

[REDACTED] U.S. officials

all projects built or programed so far have been beneficial.

Services have not received replacements for all facilities released

Under the relocation programs, the United States has received much improved facilities in return for those forfeited, although not all facilities given up have been replaced

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Under the "quid pro quo" principle, Japan provides only replacement facilities which are similar in function and equal to or smaller in scope than those released. In addition, the services must have a continued need for a particular facility to qualify for replacement.

[REDACTED]

For example, [REDACTED]

[REDACTED] under the Kanto Plain Consolidation, the services forfeited 15 million square feet of building space in return for less than 4 million square feet of new construction.

[REDACTED]

[REDACTED] according to U.S. officials, all projects are beneficial and were agreed to by the United States.

Japan's selection of projects for the facility improvement program is based not only on U.S.-identified needs but also on funds availability, [REDACTED] local economic conditions, and population attitudes. The program [REDACTED] has focused on housing and environmental [REDACTED]

[REDACTED] For example, the 1979 program included housing projects, valued at \$76 million, which were identified among U.S. requirements plus two environmental projects, valued at \$24 million, that were initiated by Japan [REDACTED]

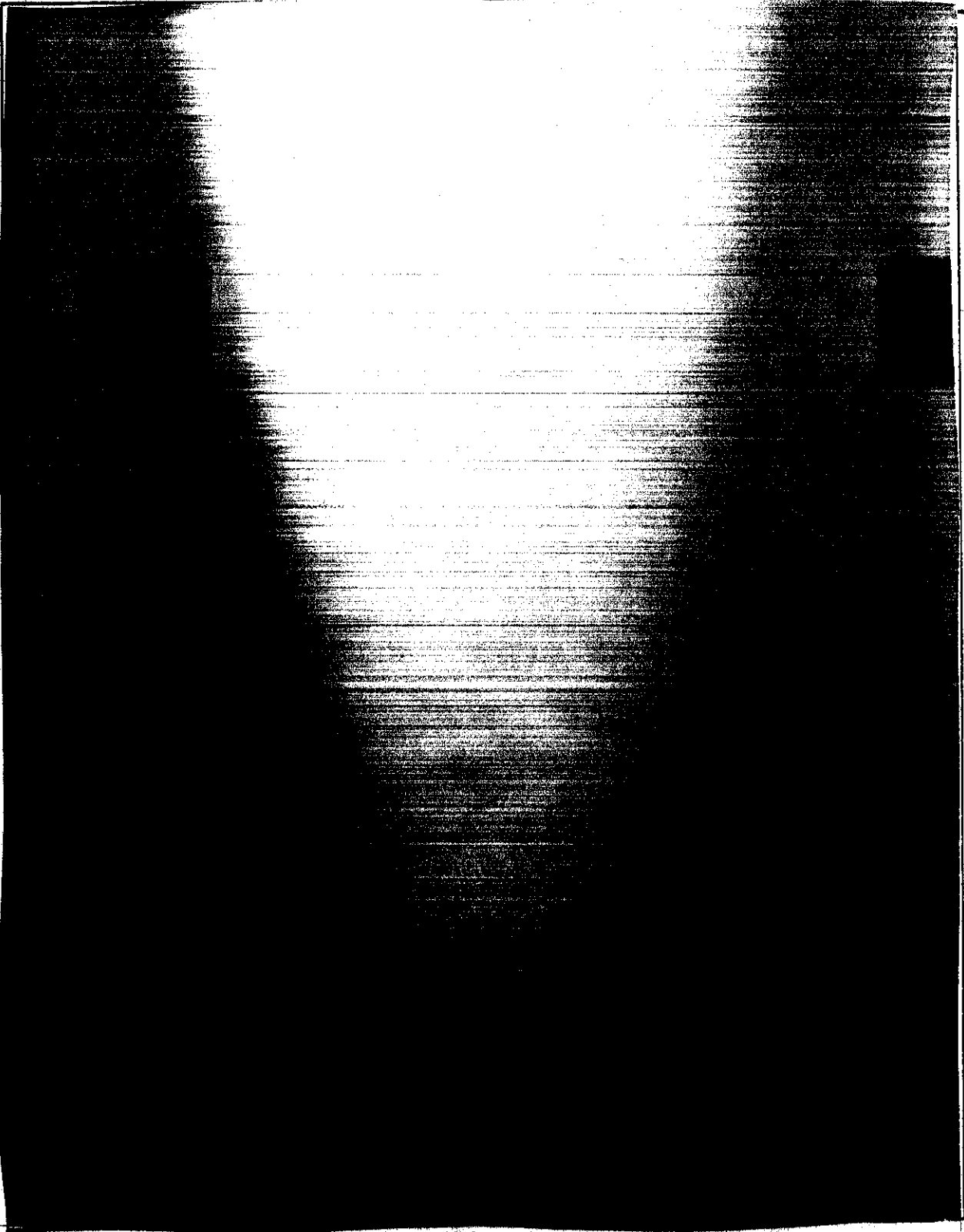
[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]



[REDACTED]

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[REDACTED]

[REDACTED]

JAPAN HAS BEGUN SHARING LABOR COSTS

As a result of a series of negotiations, Japan has assumed certain categories of labor costs for Japanese nationals employed by U.S. forces, amounting to about \$57 million for JFY 1979. [REDACTED] the United States benefits directly from Japan's assumption of these costs, the amount assumed is approximately equal to the labor costs which are in excess of the prevailing wage rates in Japan.

In a pair of agreements in 1977 and 1978, Japan agreed to assume certain labor cost categories which it defined as "indirect" costs, and thus permissible under [REDACTED] of the SOFA. These categories, totaling \$57 million in JFY 1979, consisted [REDACTED] of social insurance contributions and a differential to compensate Japanese nationals for working with a foreign military establishment. These cost sharing initiatives were in addition to certain labor administration costs already covered by Japan. Following is a summary of labor costs paid by Japan associated with the U.S. forces local national employment.

Japan's Share of Japanese National Labor Costs (note a)

Japan fiscal year	Cost sharing		Labor Administration		Total	
	Billion yen	\$ Million	Billion yen	\$ Million	Billion yen	\$ Million
1977	-	-	3.8	14.8	3.8	14.8
1978	5.2	25.9	3.6	18.1	8.8	44.0
1979	13.0	57.0	3.2	14.1	16.2	71.1

a/Converted from yen at average annual exchange rates: JFY 1977—257 yen per \$1; JFY 1978—201 yen per \$1; JFY 1979—228 yen per \$1.

Although Japan's support of labor costs directly offsets U.S. costs, the U.S. share has continued to increase as shown on the following page.

[REDACTED]

[REDACTED]

[REDACTED]

U.S. Share of Japanese National Labor Costs

<u>U.S. fiscal year</u>	<u>Appropriated fund</u>	<u>Nonappropriated fund</u>
	----- (millions) -----	
1977	\$ 286.2	\$ 28.7
1978	353.5	35.2
1979	373.4	36.9

Japan pays [REDACTED] portion of labor costs

Although Japan pays about \$57 million of the labor costs (excluding administration), this primarily covers the "excess" compensation earned by Japanese employees of the U.S. forces. Because of a higher base pay rate and various additional benefits and allowances, these employees earn about 11 percent more overall than their Japan National Public Service counterparts.

Following the 1977 labor cost sharing agreement, in which Japan assumed about \$26 million of labor costs, we reported 1/ in 1978 that compensation by the U.S. to these employees was still excessive compared to local standards and recommended Japan be encouraged to pay or eliminate the excess, totaling, at that time, an additional \$26 million annually. Subsequent negotiations led to the second agreement in which Japan assumed most of the categories we recommended.

OTHER TYPES OF SUPPORT

The GOJ cites other categories of costs in support of USFJ amounting to about \$72 million annually. They include general administration costs, acquisition costs for purchase of land to be furnished to the United States, compensation costs to fisheries covering U.S. use of water areas, restoration costs for areas released by the United States and other miscellaneous costs related to U.S. presence in Japan.

[REDACTED]

1/"Department Of Defense Pay Practices For Japanese Nationals Should Be Changed" (FPCD-78-47, May 31, 1978).

[REDACTED]

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[REDACTED]

CHAPTER 4

OPPORTUNITIES EXIST FOR
INCREASED HOST NATION SUPPORT

[REDACTED] opportunities exist for Japan, .
if it so elects, to increase the level of host nation support
it provides for U.S. forces. [REDACTED]

[REDACTED]

SOFA

The SOFA outlines the basic cost sharing responsibilities
associated with the stationing of U.S. forces in forces in
Japan, [REDACTED]

[REDACTED]

The SOFA obligates Japan to furnish the "facilities and
areas" supplied under the agreement and the United States
to "bear all (other) expenditures incident to the maintenance
of the United States armed forces in Japan." Both parties
agree as to the specific responsibilities imposed by the
SOFA. Japan's responsibility has been interpreted to include
the land and the basic structures for U.S. bases but exclude
labor, facility maintenance, furniture and equipment (except
furnishings, equipment and fixtures existing in the facilities
initially transferred from Japan--see p. 20). U.S. responsibility

[REDACTED]

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[REDACTED]

[REDACTED]

has been interpreted to include all operation and maintenance costs for the bases in addition to the costs to staff, equip, supply and transport U.S. forces.

[REDACTED]

the United States and Japan agree on the financial obligations imposed by the SOFA, they disagree on

[REDACTED]

[REDACTED] recent pronouncements have indicated further support may be possible, except for labor, and that Japan is studying potential cost sharing items.

[REDACTED]

In an official statement prepared for our review, USFJ stated:

"* * * (the SOFA) clearly does not impose an obligation on Japan to pay for the maintenance of U.S. forces; however, (the SOFA) does not prohibit any other party or Japan from contributing to the maintenance."

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

mally proposed to Japan

renegotiation has never been for-

The SOFA does provide for renegotiation of specific provisions, although it would require the agreement

[REDACTED]

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[REDACTED]

[REDACTED]

of both parties.

[REDACTED]

[REDACTED]

There are [REDACTED] ways in which Japan can increase its share of the costs of stationing U.S. forces in Japan, [REDACTED]

[REDACTED]

Construction

Continued facility construction is an excellent cost sharing alternative because it benefits both the United States and Japan and is acceptable to Japan. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

--construction is

in line with the SOFA; and

[REDACTED]

Japan has

been willing to finance housing and environmental projects under the facility improvement program

[REDACTED]

Japan,

it has provided only those types of built-in equipment which were in the facility being replaced. For example, air-conditioners were provided if the facility being replaced

[REDACTED]

Article II of the SOFA defines facilities and areas to include "existing furnishings, equipment and fixtures necessary

[REDACTED]

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[REDACTED]

[REDACTED]

to the operation of such facilities and areas" which are provided by Japan. Article II further provides that " * * * the Governments of the United States and Japan * * * may agree * * * that additional facilities and areas may be provided."

[REDACTED]

Operation and maintenance costs

Operation and maintenance (including family housing), amounting to about \$700 million annually, contains much of the direct cost of maintaining U.S. bases in Japan

[REDACTED]

the service commands in Japan provided, at our request, detailed cost data to develop the following line item breakdown of U.S. operation and maintenance costs (including family housing) in Japan:

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[REDACTED]

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[REDACTED]

[REDACTED]

Operation and maintenance costs

Fiscal years

	<u>1978</u>	<u>1979</u>	<u>1980</u>
	(\$ Millions)		
U.S. civilian labor	\$ 41	\$ 47	\$ 47
Local national labor	365	283	288
Utilities	66	61	66
Contracted civil engineering services	49	51	30
Purchased maintenance of equipment	30	37	39
Other contractual services	25	21	22
Supplies and materials	71	80	80
Equipment	6	13	6
Fuel	24	23	44
Other	<u>42</u>	<u>71</u>	<u>49</u>
Total	<u>\$719</u>	<u>\$687</u>	<u>\$671</u>

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

Joint use of bases by
U.S. and Japanese forces ~~(S)~~

The Status of Forces Agreement allows joint use of military installations not fully used by U.S. forces, provided the governments agree such use would not be harmful to the purposes for which the facilities and areas are normally used by U.S. forces. A number of military installations are jointly used by the U.S. military and various Japanese organizations, including the Japanese Self Defense Force and commercial activities. The Japanese user shares the facilities' costs. In March 1980, 29 of the 120 installations used by U.S. forces in Japan were jointly used, to some degree, with the JSDF.

In a 1977 report ^{1/}, we suggested increased joint use, particularly with the JSDF, as a way to reduce U.S. operating costs at underused installations without harming peacetime or wartime contingency missions. In that report, we recommended the Secretary of Defense review the potential for joint use and act to establish such arrangements. Since that time there have been considerable transfers of functions among the services and consolidation of bases.

[REDACTED]

The advantages of joint-use arrangements include cost savings to the United States, increased opportunities for cooperation with Japan, the meeting of JSDF needs, and better use of increasingly expensive facilities.

[REDACTED]

^{1/}"The United States And Japan Should Seek a More Equitable Cost Sharing Arrangement" (ID-77-8, June 15, 1977).

[REDACTED]

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[REDACTED]

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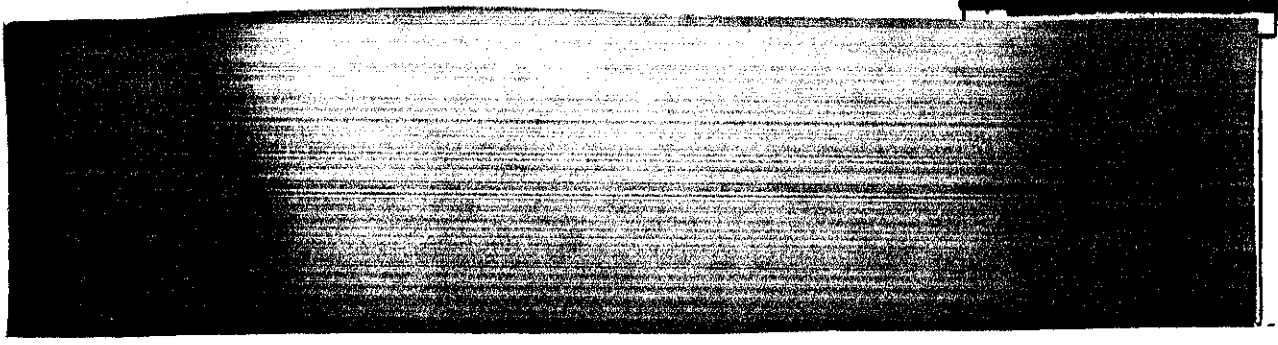
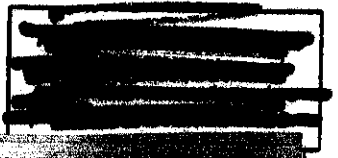
COST DATA

it is essential that U.S. negotiators be fully familiar with the range of cost sharing possibilities including the potential savings.

[REDACTED]

[REDACTED]

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[REDACTED]

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CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

The United States expects Japan to bear a greater share of the common defense burden, [REDACTED]

Japan is currently fulfilling its mutually understood host nation support obligation under the Status of Forces Agreement by providing land and facilities for U.S. bases in Japan.

[REDACTED]

[REDACTED] host nation support represents [REDACTED] one channel for [REDACTED] Japanese defense spending. [REDACTED]

Japan makes significant contributions in support of the presence of U.S. forces--over \$800 million in Japan Fiscal Year 1979. [REDACTED] the U.S. benefits significantly from Japan's host nation support, [REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

opportunities exist for Japan, to increase the level of host nation support it provides U.S. forces. One limiting factor could be [REDACTED] the Status of Forces Agreement [REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

AGENCY COMMENTS

DOD disagreed with our draft report and did not accept any of our recommendations, citing what DOD officials believed to be errors and misstatements throughout the report. DOD agreed that the Japanese Status of Forces Agreement should not be renegotiated and that the agreement does not necessarily limit further cost sharing. Beyond that, however, there was little agreement. The Department of State concurred with DOD in finding the report "seriously deficient both in its lack of understanding concerning U.S. policy and its sensitivity to the political environment in which our security relationship with Japan must operate." State did not comment on any of our specific recommendations.

We have modified the final report somewhat to answer DOD's and State's comments and to clarify the major points, but the message contained in the draft version is essentially unchanged in this final report. We found most of their comments to be unfounded or not responsive to the point being made. We have added appendix II to the report detailing objections and providing our comment and analysis. Appendix III reprints State's comments.

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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Congress of the United States dms
House of Representatives
Committee on Appropriations
 Washington, D.C. 20515

November 29, 1979

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The Honorable Elmer B. Staats
 Comptroller General of the United States
 U.S. General Accounting Office
 441 G Street, N.W.
 Washington, D.C. 20548

Dear Mr. Staats:

During the review of the fiscal year 1981 budget, the Military Construction Subcommittee intends to continue to examine the types of support provided to United States military forces stationed in foreign nations. In its FY 1980 report, the subcommittee made a number of recommendations to the Department of Defense concerning host nation support responsibilities of foreign nations.

There are several areas that the Committee would like your office to review further during the coming year:

1. What types of support, financial and otherwise, are currently provided by host nations to U.S. forces abroad?
2. What types of host nation support have been provided in the past to U.S. troops, and what examples are there that may serve as a model for future agreements?
3. Should the Status of Forces Agreements with various foreign nations (Federal Republic of Germany, United Kingdom, and Japan, in particular) be re-examined or renegotiated in terms of the current value of the dollar to reduce U.S. costs abroad?
4. What provisions in existing Status of Forces Agreements should be renegotiated in order to increase the amount of support provided to U.S. troops stationed abroad?

The Honorable Elmer B. Staats
November 29, 1979
Page 2

We would like to have a report by March 1980 or, if this is not sufficient time, the assistance of your office in preparing for hearings during March on the fiscal year 1981 request.

Sincerely,


Chairman

DEPARTMENT OF DEFENSE COMMENTS AND OUR ANALYSIS

The Department of Defense reviewed a draft of this report and provided extensive comments dated September 26, 1980. In essence, DOD disagreed with most of our presentation, finding it an inaccurate portrayal of the host nation support issue in Japan. In its response, signed by the Principal Deputy Assistant Secretary of Defense, International Security Affairs, DOD said:

"The General Accounting Office draft report takes a comprehensive look at Japanese cost sharing for U.S. Forces. It contains a large amount of information and data. Although there is agreement with two of the report's findings, DOD finds the report on the whole to be characterized by misunderstandings and misstatements which do not accurately describe the actual state of Japanese cost sharing. It is felt that use of the report in its present form would be unwise and misleading."

DOD then went on to list numerous specific sections and wording to which it objected.

Obviously, such strong criticism and virtually complete disagreement with our draft report concerned us and led us to closely examine the material we presented, the way in which we presented it, and the conclusions and recommendations stemming from it. After detailed review of DOD's comments and the documentation supporting our report, we have concluded that most of DOD's charges of factual errors and erroneous implications are unfounded. We have modified the draft report slightly in some areas to take some of DOD's suggestions into account and to clarify our positions. However, the basic presentation of the draft report remains in this final report, and our conclusions and recommendations are virtually unchanged. To fully air DOD's criticisms and to present our analysis of the DOD comments, we have added this appendix to the final report. The following sections present DOD's statements and our comment, as appropriate.

EFFECT OF STATUS OF FORCES AGREEMENT
ON FURTHER JAPANESE COST SHARINGDOD comment

"The draft report states that renegotiation of the U.S.-Japan Status of Forces Agreement (SOFA) may not be an advisable or effective solution to gaining additional cost sharing in the future. DOD concurs with this finding."

[REDACTED]

[REDACTED]

APPENDIX II

"The draft report states that the SOFA is not a barrier to further Japanese cost sharing. DOD agrees with that finding; however, the report states that the U.S. and Japan disagree on what is permitted by the SOFA when in fact there is agreement. Both countries agree on what is called for by the SOFA, i.e., Japan provides bases and facilities rent-free for use by U.S. forces; the U.S. provides for all other costs associated with the operation and maintenance of the bases and facilities provided. The Government of Japan (GOJ)

[REDACTED]
with new ones, has built new facilities for the convenience of U.S. forces; and has paid some portion of the Japanese national labor costs for U.S. forces. In JFY 1980 (April 1980 - March 1981) Japan has budgeted over \$800 million for support of U.S. bases in addition to facilities and bases provided rent-free.

[REDACTED]

There is no controversy the SOFA as the report incorrectly states." (Ch. 4, p. 17)

GAO response

The description of the varying positions taken by the U.S. and Japanese officials presented in chapter 4 was taken for the most part from a document prepared by the legal advisor at USFJ and concurred in by the U.S. Embassy and the Chief of Staff at USFJ. We believe it accurately depicts the current situation.

} FBI.

U.S. POLICY ON HOST NATION SUPPORT

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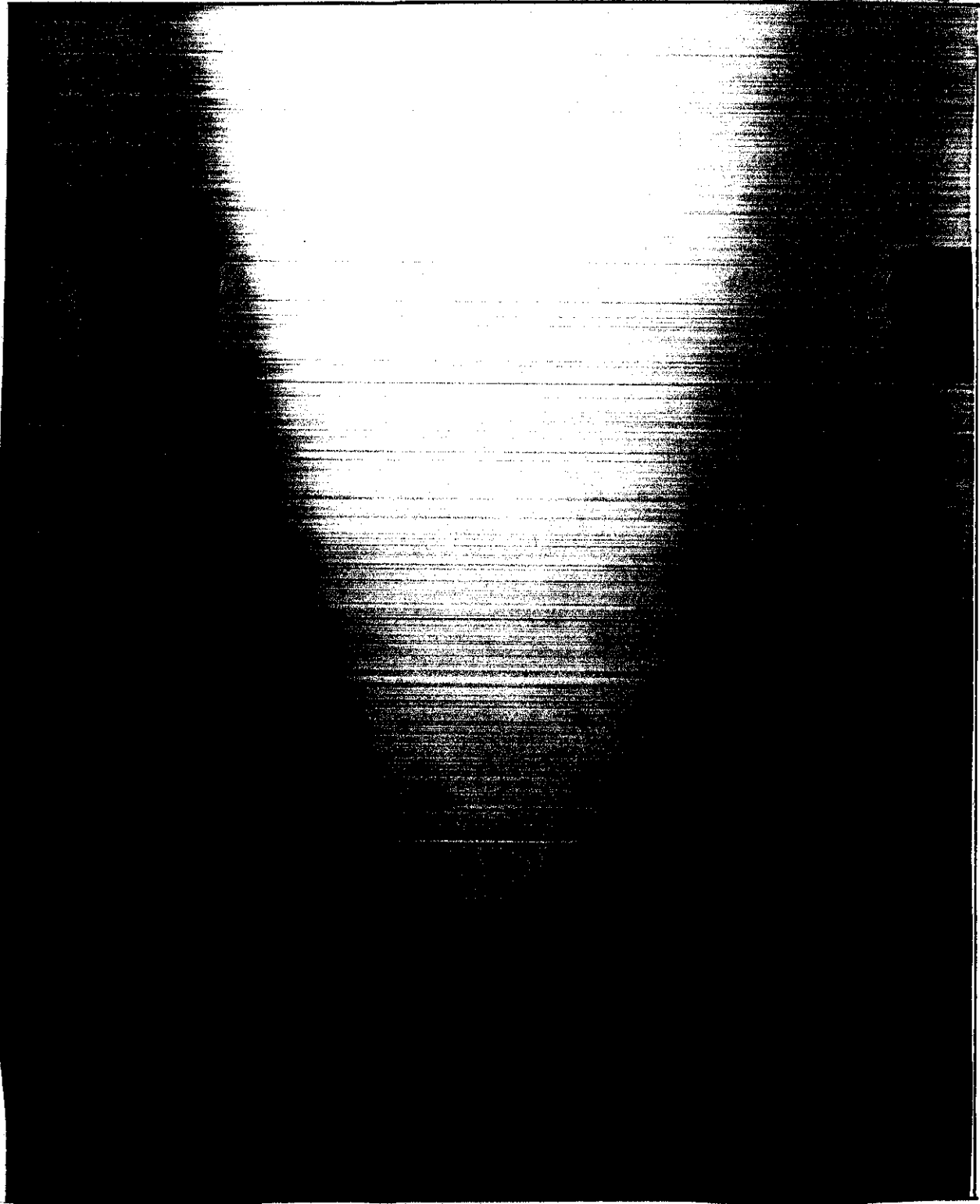
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APPENDIX II



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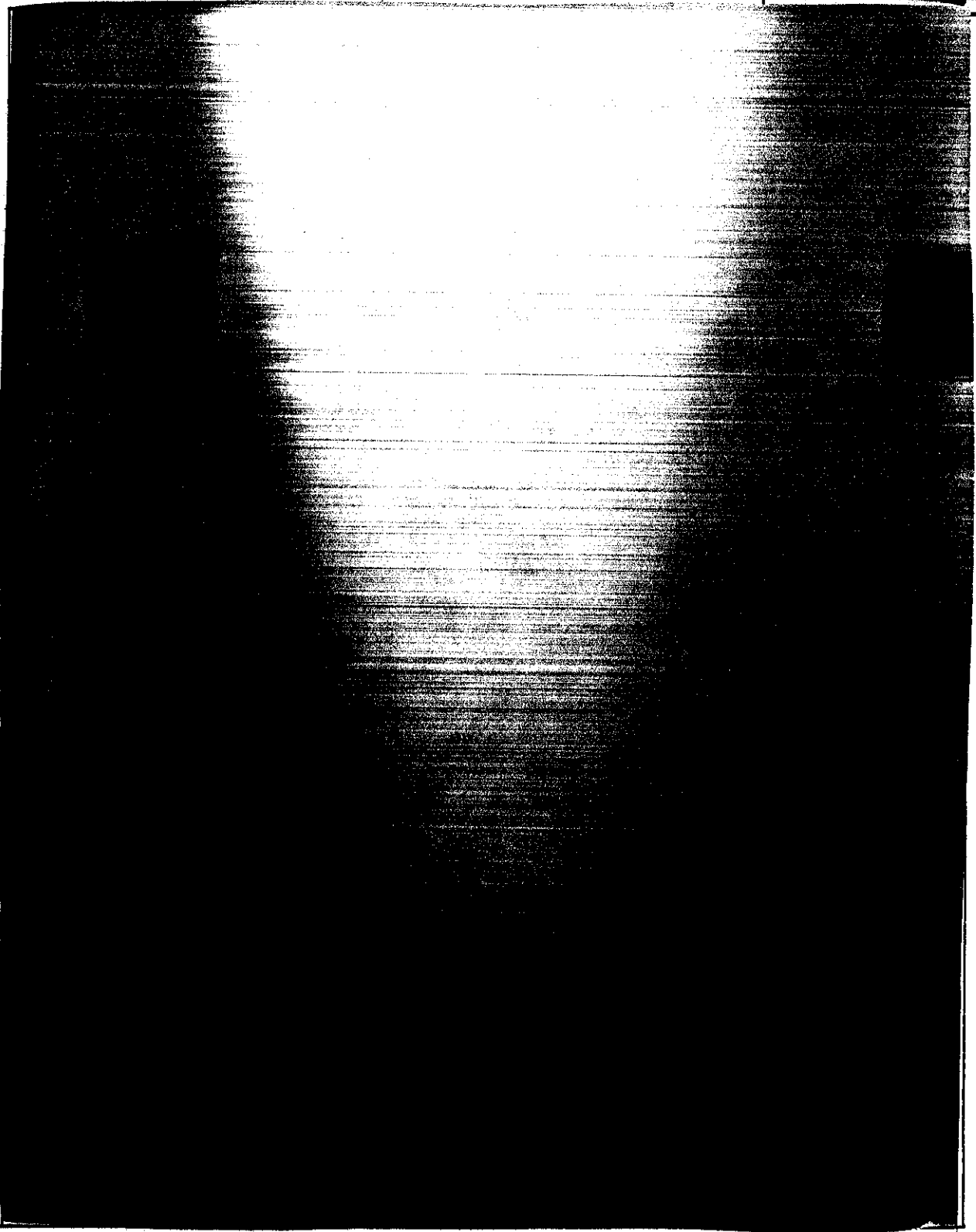
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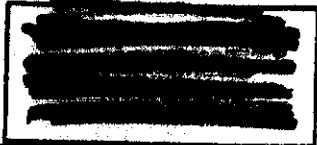
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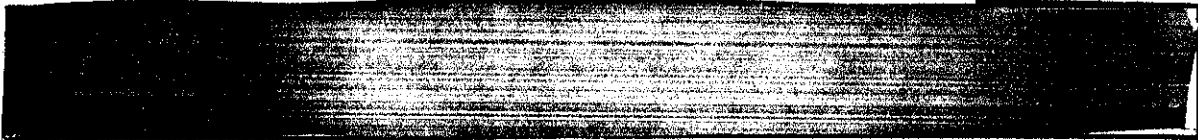


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APPENDIX II



GAO Response

We have modified chapter 2 of our draft report slightly to more clearly present our position regarding the U.S. policy for host nation support in Japan, but the basic message remains

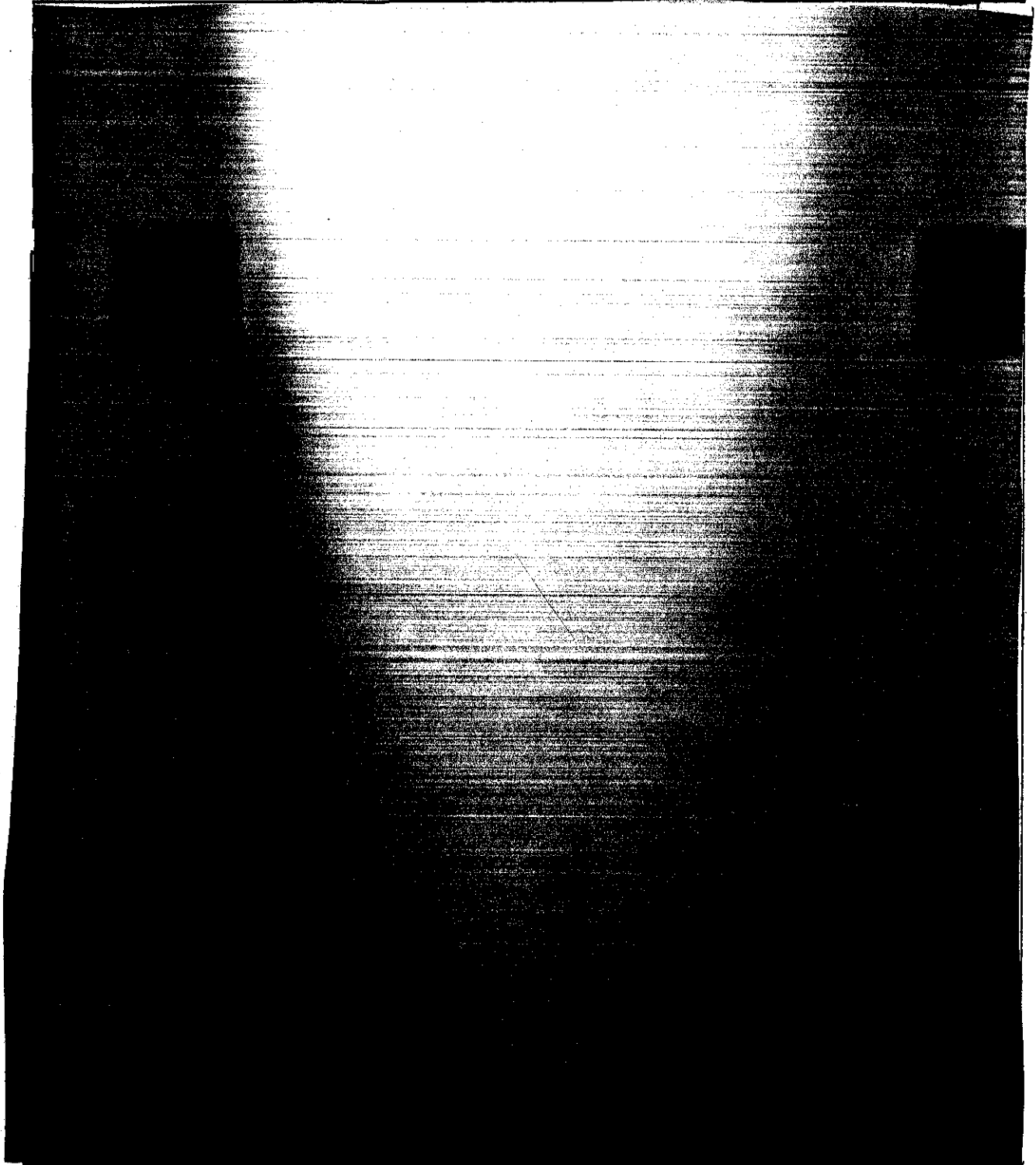


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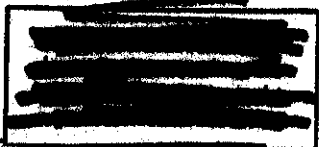
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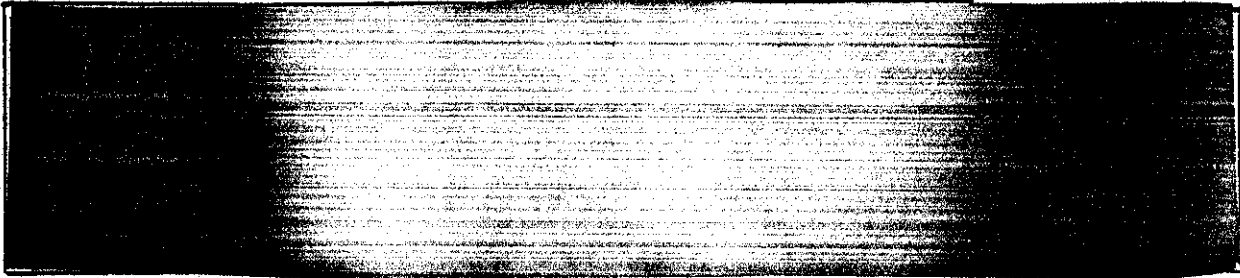


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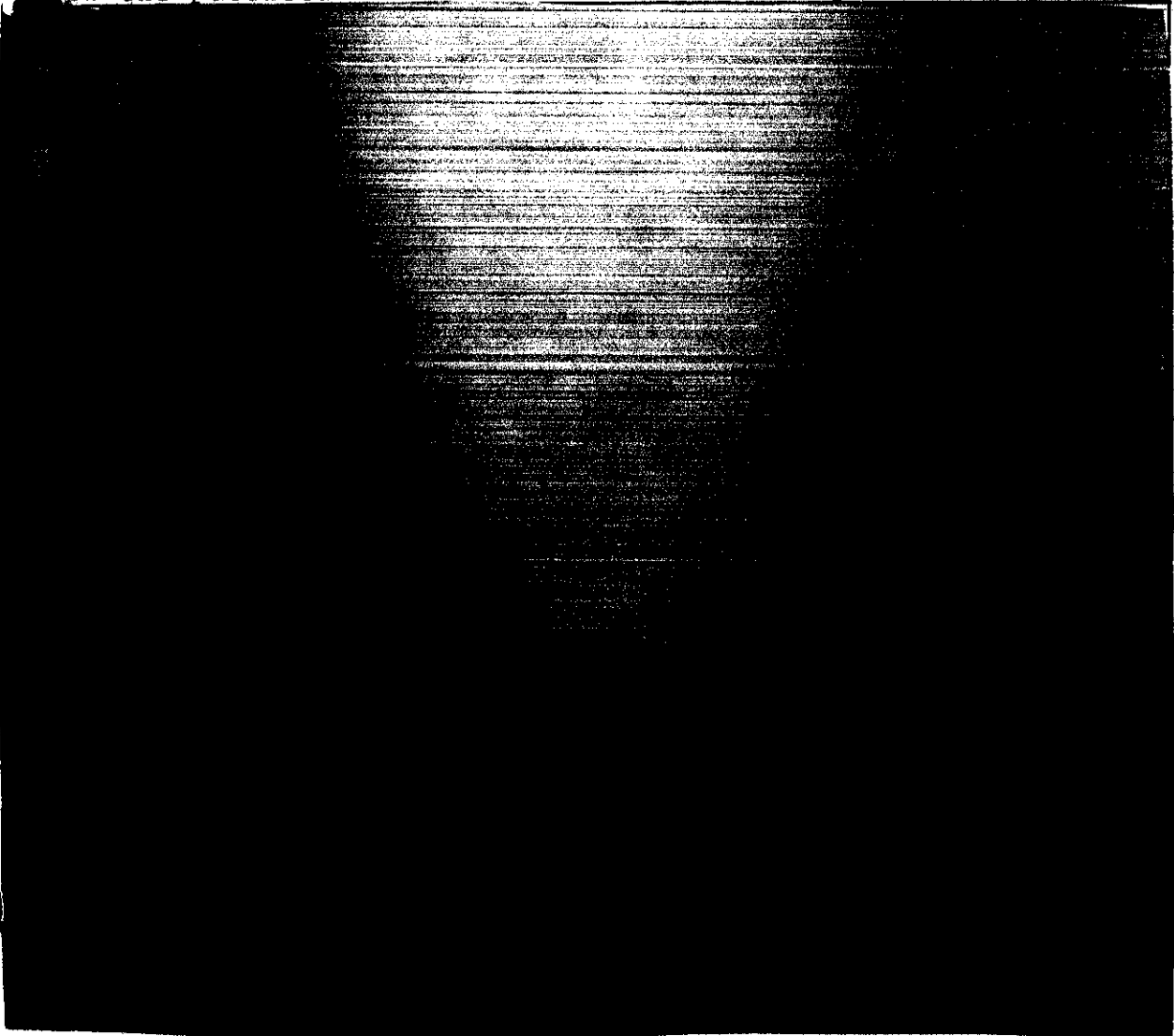


APPENDIX II



GAO response

As stated in chapter 4, our 1977 report cited the value of joint basing in reducing U.S. costs and called on DOD to review the potential for more extensive use of joint basing.



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[REDACTED]

APPENDIX II



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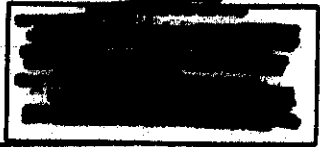
GAO response

Our description of the Japanese self-defense policy in chapters 1 and 2 is taken from the official defense white paper of the Government of Japan entitled "Defense of Japan." We believe it clearly and accurately portrays Japanese policy. The information provided by DOD in its response to our draft report is interesting, but it in no way indicates that our presentation in the report is factually in error.

GAO response

If Japan maintains defense spending at its current level of about .9 percent of its gross domestic product, its economic growth in the next decade would have to equal growth in the 1970s for its defense expenditures to reach the levels projected by DOD. Such growth is possible, but such long-range predictions are speculation. The analysis and information provided by DOD does not change the data presented in chapter 1 of our report nor does it indicate that we have made a factual error.

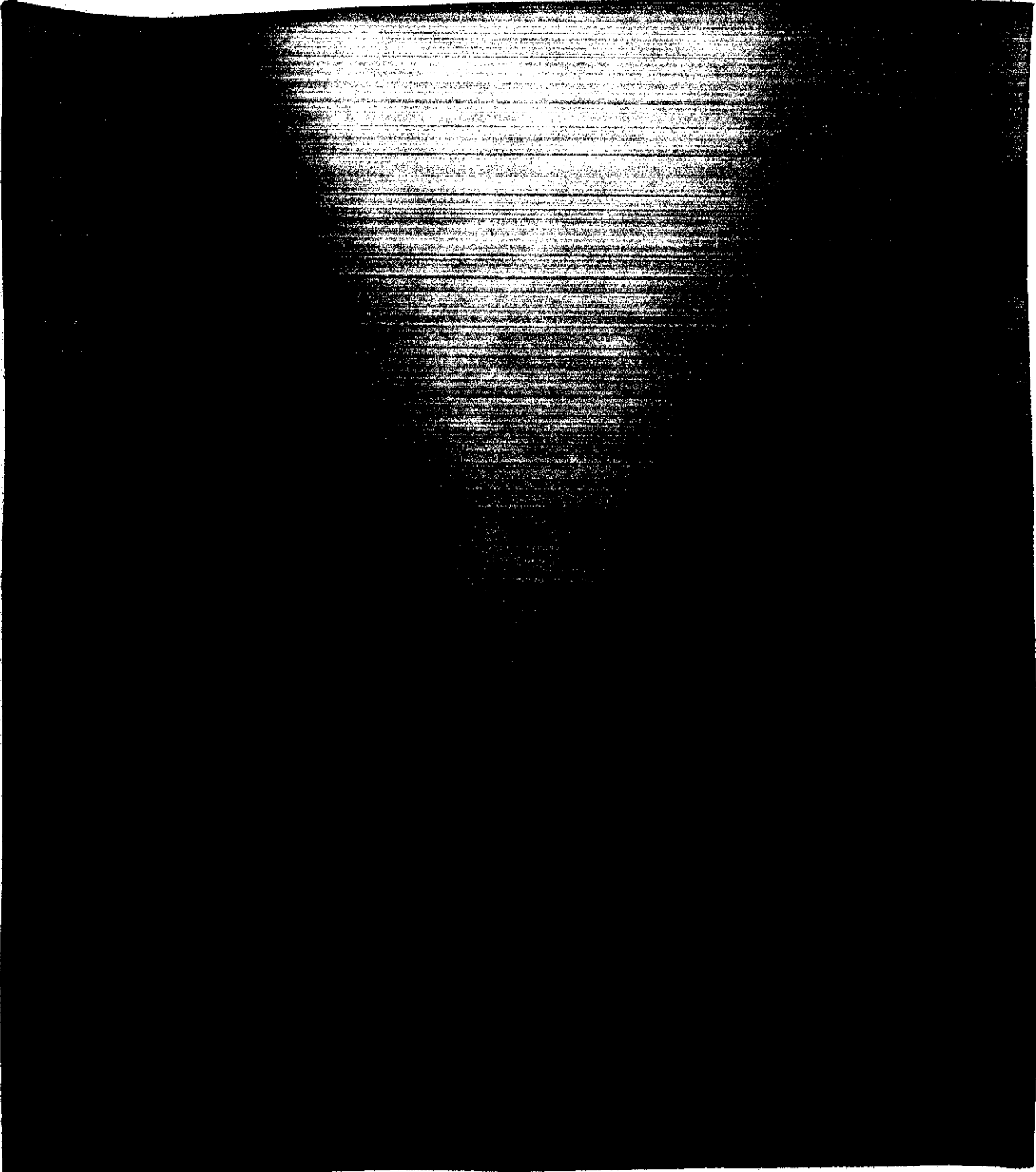
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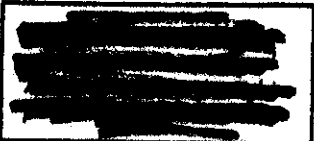


APPENDIX II

INCREASES IN JAPANESE DEFENSE SPENDING

DOD comment





APPENDIX II

GAO response

PROVISIONS OF U.S.-JAPAN TREATY
VERSUS NATO TREATY

DOD comment

GAO response

We revised our draft report so that the contrast between the NATO treaty and the Japan treaty is not emphasized. However, in its white paper on defense, Japan specifically points out this difference between the two treaties, explaining that NATO countries are pledged to act in defense of the United States if U.S. territory is attacked. Japan is not. In the NATO Treaty itself, Article 5 states:

"The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and consequently they agree that, if such an armed attack occurs, each of them * * * will assist the Party or Parties so



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[REDACTED]

[REDACTED]

APPENDIX II

attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area." (Emphasis added.)

[REDACTED]

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APPENDIX II



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[REDACTED]

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APPENDIX II

EXCHANGE RATE AGREEMENT AS
POTENTIAL COST SHARING ITEM

DOD comment

[REDACTED]

[REDACTED]



DEPARTMENT OF STATE
Comptroller
Washington, D.C. 20520

August 11, 1980

Mr. J. Kenneth Fasick
Director
International Division
U.S. General Accounting Office
Washington, D.C.

Dear Mr. Fasick:

I am replying to your letter of July 9, 1980, which forwarded copies of the draft report: "Host Nation Support Of U.S. Forces--One Channel For Increased Japanese Defense Spending."

The enclosed comments on this report were prepared by the Acting Assistant Secretary Bureau of East Asian and Pacific Affairs .

We appreciate having had the opportunity to comment on the draft report. If I may be of further assistance, I trust you will let me know.

Sincerely,

A handwritten signature in cursive script that reads "Roger B. Feldman".

Roger B. Feldman

Enclosure:
As Stated

The GAO draft report "Host Nation Support of U.S. Forces -- One Channel for Increased Japanese Defense Spending" presents a considerable accumulation of data on Japan's support for U.S. forces stationed in its territory and makes a number of recommendations on how that support could be improved. However, the State Department must concur with the Department of Defense in finding the report seriously deficient both in its lack of understanding concerning U.S. policy and its sensitivity to the political environment in which our security relationship with Japan must operate. Rather than duplicate the detailed arguments set forth in DOD's response, we will confine our comments to policy concerns underlying U.S. cost-sharing arrangements with Japan.

The laboriously drawn-out themes of the GAO report-- that Japan is doing little to improve its defense performance and that the U.S. has no clear policy concerning additional host nation support expected from Japan--are simply not substantiated by the record. The U.S. has consistently pressed for increased Japanese support for our facilities. Rather than set unrealistically rigid goals in Washington for cost-sharing agreements, the U.S. has consciously given its representatives in Japan the initiative to work out improved funding arrangements most realistically suited to legal and political considerations in Japan. In practice this has meant concentrating on Japanese support for construction projects and local labor costs. Given the improving climate for defense cooperation measures in Japan, the U.S. expects to widen the scope of its cost-sharing negotiations with the Japanese to include funds for operational support as well.

The Japanese have in turn increased steadily their host nation support for U.S. forces. As GAO notes, Japanese contributions for Japanese Fiscal Year 1980 totalled \$800 million, nearly half of the expenses incurred by U.S. Forces Japan other than pay and allowances. Contrary to GAO's contention, there is no evidence of conflict in Japanese budgetary allocations between U.S. goals of stronger Japanese defense capabilities and increased host nation support for U.S. forces in Japan. Improvements in both areas have proceeded simultaneously with notable success.

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Another policy issue that the GAO fails to address adequately concerns the benefits of Japanese host nation support that already accrue to the U.S. It is often forgotten that U.S. facilities in Japan serve primarily to support the U.S. strategy of forward deployment in the Western Pacific (indeed such deployments would be extremely difficult to maintain without facilities in Japan)

These bases, mostly located on valuable property near major population centers are there for more for the convenience of the U.S. than for Japan. Nonetheless, Japanese contributions in the form of rent, subsidies, and construction projects in residential areas near bases (e.g., soundproofing for schools) needed for the continued operation of U.S. facilities are questioned by the GAO as not directly offsetting U.S. expenses since the U.S. itself would not necessarily incur them--a position that surely ignores the political and economic realities of the U.S. military presence in Japan.

Finally, State strongly recommends against public release of the GAO report.

At a time when Japanese defense expenditures and the development of U.S.-Japan defense cooperation are the subjects of serious political attention in both countries, release of the GAO report as submitted in draft risks controversy in the U.S. as well as Japan that could only damage mutual interests. For this reason, State fully agrees with DOD that the report be classified Secret and not made public.

Drafted: EA/J:GARubinstein:bcl
ext., 23152 - 8/7/80

Clearances: EA/J:GSutton
PM/ISO:DPoorman
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Michael H. Armacost
Michael H. Armacost
Acting Assistant Secretary
Bureau of East Asian and
Pacific Affairs

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