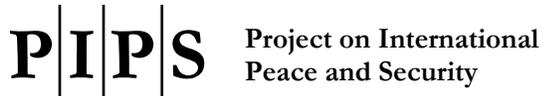


Japan's Aging Population and the U.S.-Japan Security Alliance

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Demographic Changes and the U.S.-Japan Security Alliance

Japan has long been viewed as the lynchpin of the United States' security architecture in East Asia. However, Japan is now facing a huge demographic shift that will alter its ability over the next several decades to field the needed level of military power. In order to help Japan compensate for this demographic shift and maintain its defensive abilities, the United States should authorize sale of advance weaponry, such as the F-22, to Japan.

U.S. Geostrategic Goals in Asia

The U.S.-Japanese security alliance provides the United States with a series of benefits in East Asia. During the Cold War, Japan served as a military and ideological counterweight to China and Russia in the region, fielding a large and well-equipped Navy and Air Force. The alliance also allowed the United States to dampen regional fears of a post-World War II resurgent and revisionist Japan. The U.S. nuclear security umbrella also reassured Japan, lessening any incentive to acquire nuclear weapons and preventing a regional nuclear arms race.

The alliance currently provides many of the same benefits:

- Maintain a regional counterweight to China, militarily and ideologically.
- Placate regional fears of a rising, nationalistic, Japan.
- Prevent a nuclear arms race in Asia, sparked by Japan's acquisition of nuclear weapons.
- Keep a major economic and political partner safe.

Japan's Demographic Shift & Its Implications

Japan's population is rapidly aging. The needs of this older population have the potential to place a larger tax-burden on the younger generation and constrain policy choices for the Japanese government. These changes pose serious challenges for the Japanese economy and national defense.

(1) *Japan's Aging Population:* Based on current projections, Japan's population will undergo a long period of rapid aging over the next several decades. According to U.N. estimates, in 2010, there will be 34 elderly dependents for every 100 people working. By 2050, the ratio will rise to 74 retired dependents for every 100 people working. Unless birthrates rise, it is predicted that Japan's total population will shrink to one half of its current size by 2100.ⁱ

This elderly population has unique health care needs. About one-third of Japanese over the age of 85 will have either Alzheimer's disease or dementia. With Japan having over 30,000 centenarians this year, dementia rates, along with other medical problems, will incapacitate a huge, growing portion of the population, placing significant strain on government resources.ⁱⁱ

(2) *Japan's Shrinking Workforce:* As the population ages, the Japanese workforce will lose laborers. In 2030, out of a population of 115 million people, only 61 million will be working. The OECD estimates that the workforce will shrink by 1% every year. Between 2012 and 2030, that level of shrinkage equates to a loss of over four million workers.ⁱⁱⁱ Even though elderly people in Japan tend to work past the official retirement age, the graying of the workforce will have a significant effect on national productivity.

(3) *Japan's Declining Economy:* If technology cannot be developed at a rate that will make up for this loss of workers, then there will be a significant reduction in Japan's GDP. As the nation's GDP declines, the government's budget will shrink at a time when costs are set to rise due to increased social spending.

Japan's rapidly aging population has several implications for Japanese domestic and security policy:

(1) *Increased Social Security Spending:* As a result of the increasing number of elderly retirees, the Japanese government's social security spending is predicted to increase relative to other types of expenditures. Between the years 2000 and 2006, two million additional people began using Japan's social security services. Currently, elderly or retired Japanese workers account to 70% of all social security spending. Between 2000 and 2005, Japanese social security spending for the elderly grew 16%, from 53 trillion yen (532 billion USD) to over 61 trillion (617 billion USD). The 2005 total social security spending comes out to 23% of the Japanese national income, with 12.6% of that accounting for pensions alone. In 2008, social security spending accounted for over 26% of the Japan's national government expenditures. With the number of participants in these programs projected to increase by 11 million people by 2050, the expenditures will increase at an extremely rapid rate.^{iv}

(2) *Reduced Spending on the Military*: National defense spending comprises 5.8% of general spending, and that percentage has been dropping since the year 2000. Since 1976, Japanese defense spending has been capped at 1% of GDP. However, this cap does not mean that defense spending cannot drop below that mark. In addition, the budgetary squeeze may also have an impact on other programs that may affect military readiness such as general transportation infrastructure and youth education programs.

(3) *Recruitment of SDF Personnel More Difficult*: As the supply of new laborers shrinks, private companies will either raise wages or provide more benefits to attract workers. Budget cuts will make it difficult for the SDF to compete with these wages. Many SDF recruits come from rural areas where other comparable job opportunities are scarce, however it is these areas in which the age imbalance is especially large. In addition, unlike the U.S. military, Japanese recruits have no mandatory length of service and may resign at any time to pursue other opportunities.^v Currently, personnel expenditures account for 44.2% of Japan's defense budget (including the expense of supporting U.S. troops in Japan), which goes towards training, pay, and other provisions. In order to remain competitive in the labor market, this percentage may have to increase.

(4) *Rising Cost of Military Pensions*: SDF personnel are also aging and retiring. As they retire, the federal government will have to pay for their pensions, reducing the budget available for weapons and other infrastructure. Military retirees receive pensions immediately upon retirement, which may be up to ten years earlier than the general population.

(5) *A More Pacifist Society*: With fewer young people, the effects of going to war become larger: each young person becomes more valuable. Families will be much less likely to endorse a policy that bolsters military spending if they only have one child each. This dynamic will have a discouraging effect on military spending and investment.

Implications for the U.S.-Japanese Alliance:

Japan's aging population poses several challenges to the U.S.'s security architecture in the Pacific and the U.S.-Japanese Alliance:

(1) *Japanese Military Weakness*: Without the funds to attract new personnel and to quickly upgrade systems, Japan may lose its ability to hold its own against China, especially in the face of a large generation of young people in China who are likely to be restless and unemployed.

(2) *A Nuclear Japan*: While the U.S. population will not age as quickly as Japan's, it will face budgetary pressures, and overseas military activities will become less popular. However, if the U.S. appears less willing to support Japan in the face of an emergency, Japanese defense officials may overcompensate for this reduced sense of security by building a nuclear arsenal.

(3) *Growing reluctance among the Japanese to pay for U.S. troops*: Currently, Japan pays for all expenses of U.S. troops stationed in Okinawa. Given that the presence of troops is unpopular in Okinawa, the high cost of maintaining those troops will only go on to add to their unpopularity.

Policy Recommendations:

The United States has several options for confronting the challenge of Japan's aging population: encourage Japan to develop a nuclear deterrent, increase U.S. financial support for Japan's defense forces, replace Japan with another Asian state as our key ally in East Asia, or sell advanced weapons systems to Japan, such as the F-22. Of these options, selling advanced weaponry to Japan is the best way to protect U.S. interests within the current context of East Asian security issues.

(1) *Nuclear Weapons*:

Nuclear weapons possess the potential to enhance Japan's defensive capabilities in the face of a nuclear China and an increasingly threatening North Korea. Helping Japan develop nuclear weapons will involve changing the structure and goals of the alliance. Currently Japan is under the U.S. nuclear shield and has not pursued the development of nuclear weapons. Some political factions within the Japanese Diet have raised the possibility of starting a nuclear weapons program, but these ideas are widely unpopular. Though nuclear weapons can clearly increase Japan's defensive power, introducing nuclear weapons to Japan could actually detract from its security.

If Japan were to develop nuclear weapons, an East Asian arms race would likely occur. China has long feared a military revival in Japan, especially one that hinges on a militaristic nationalism. Japan's acquisition of nuclear weapons could easily incite panic in China, provoking it to increase its nuclear arsenal. Japan is also an object of suspicion in South Korea and Japan's acquisition of nuclear weapons would likely provoke South Korea to acquire its own arsenal.

In addition, the Japanese intelligence community is poorly managed, and the risk of a data leak is relatively high when compared to some of the United States' other partners. One reason for a traditional U.S. opposition to Japan having a nuclear program is the lack of control over this kind of information. Of all the technology that could be given to Japan, nuclear weapons information is the most dangerous if leaked.

On top of these challenges, nuclear programs are extremely unpopular in Japan. Though a growing right-wing section of politicians believe that obtaining nuclear weapons is necessary for becoming a "normal" country, over 77% of the Japanese population supports international controls on the spread of nuclear weapons, and would be extremely unhappy if their country acquired such weapons.^{vi} This sentiment is especially strong among the older generations who have more direct experience with the effects of nuclear warfare and are commanding an increasingly strong influence on lawmakers.

(2) Subsidize Japanese Defense Spending

The idea of subsidizing the Japanese military rests on being able to take the pressure off of the budget crunch. In this way, the U.S. will be able to help Japan maintain its current level of preparedness. Funding more of the costs of maintaining U.S. troops in Okinawa will not only allow Japan to reallocate local and federal-level funds, it will also promote a better relationship between the U.S. and the Okinawan community.

The problem with this option is that it may not help increase the effectiveness of the Japanese military. With the defense budget legally capped at 1% of Japan's GDP, the U.S. will only be able to donate decreasing amounts in the long term. In addition, if funds simply go to attracting more personnel, Japan may not be able to equip them with updated technology in the future, given the naturally rising cost of armaments, and it definitely won't be able to do so rapidly enough to keep up with China's technological advances. This reality will still lead to an overall decrease in troop effectiveness.

(3) Switch to Another Alliance Partner

This option requires finding another Asian country that both has the technological infrastructure and political will to be able to act as a counterweight to China and

is not undergoing the same demographic shift as Japan. The United States could start courting a different alliance partner, eventually helping them to take on the role that Japan currently plays.

However, there currently are no countries in the region that are immediately able to take Japan's role in the alliance. South Korea and Singapore are the only countries that are a technological match for Japan. Singapore simply does not have the size or power to act as a counterweight for China. South Korea will soon be facing the same age problems that Japan faces; therefore, using it to replace Japan will not solve the United States' dilemma. By 2050, 42.2% of the South Korean population will be over the age of 60, comparable to the 44% that Japan will have at that time. Furthermore, the majority of South Korea's troops are committed to defense against North Korea.

The Filipino population is still relatively young. 6.7% of the population is elderly, and that percentage will rise to only 17.9% by 2050.^{vii} However, the Philippine army lacks the technological investments and infrastructure to support the weaponry and tactics necessary to be a counterweight to China. Furthermore, China is currently showing a willingness to make monetary and material donations to the Philippine military. In 2007, the Chinese government gave the Philippines a \$6.6 million grant, designated for engineering and medical equipment, promised an additional \$2 million in aid, and has offered to sell aircraft to the Philippine military at a discounted price. These aid donations came in addition to allowing Filipino military officials to train at top Chinese military institutions.^{viii} The Philippines most likely would not be willing to take on the role that Japan has played if it came with the cost of giving up aid from China or taking a larger balancing position.

Even if switching to another alliance partner were feasible, doing so would not actually solve Asian security concerns that are centered on Japan. With overlapping territorial claims and antagonistic attitudes based on history, China and Japan will still be set to engage in a conflict that could severely threaten peace in the East Asia. If anything, taking attention away from Japan may make security problems worse. In addition, turning away from Japan to another country would sever a strong relationship with the strongest navy in East Asia and one of the most advanced in the world. It would take a long time for any potential alternate ally to reach the level of infrastructure and weaponry investment that Japan has today.

(4) Authorize Sale of Advance Weaponry to Japan

Any Japanese investments in infrastructure and weapons need to be made soon simply because those funds may not be available in the future. Because the number of elderly people in Japan is only going to increase over time, defense funds are likely to decrease proportionately in the long run. It is necessary to think of any current spending capability as only temporary. Selling weaponry that has a relatively low maintenance cost will take advantage of currently available funds without necessarily tying up the scarcer future funds.

In particular, Japan should be authorized to purchase the F-22 fighter plane. These advanced planes will give a higher level of effectiveness per airman, making up for a reduced number of military personnel. With a reported kill ratio of up to 108-to-one, the F-22 will offer a substantial increase in capability relative to Chinese forces.^{ix}

The SDF already has an extremely well developed maritime defense program, and the F-22 could be easily integrated into those existing programs. As the Japanese military is most likely to go to war over the seas, an aviation upgrade is a natural way to enhance the strong naval component of the SDF.

Of the four available options, allowing sales of the F-22 is the option that is best able to compensate for the changes caused by an aging Japanese population. Though these planes are far more potent than anything else in East Asia, it is important to remember that they will not be replaced for a very long time. Selling a different plane or other technology to the Japanese may be sufficient in the short term, but Japan may not have the funds to replace them in a few decades if more powerful weaponry is needed. Thus, the sale of the F-22 to Japan is necessary to achieve longer-term military parity in the East Asia between Japan and China.

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^{vi} DiFilippo, Anthony. Japan's Nuclear Disarmament Policy and the U.S. Security Umbrella. (New York: Palgrave MacMillian 2006) pg.5.

^{vii} United Nations Population Division. "World Population Prospects". April 12, 2009.

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