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THESIS

U.S./JAPAN BURDENSARING:
CONSTRAINTS TO INCREASED
JAPANESE CONTRIBUTION

by

Patrick J. Braker

June 1990

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U.S./Japan Burdensharing:
Constraints to Increased
Japanese Contribution

by

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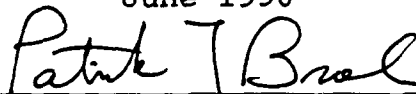
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ABSTRACT

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I. INTRODUCTION

In a fiscal year 1983 U.S. Annual Report to Congress, Japan was described as "...playing a vital role in maintaining regional stability and...the cornerstone of the U.S. forward defense strategy in the Asian-Pacific region." (Tokinoya, 1986, p.8) Japan was also described by one U.S. Senator as an "ally who basks in the freedom our defense provides, but does little to share the burden of paying for it." (Cushman, 1988, p.2) This dichotomy is often expressed by U.S. critics when considering Japan as an ally. Although Japan is the U.S.'s number one ally in Asia, her one percent of GNP defense contributions¹ compared to U.S. perceptions of Japanese wealth and ability to contribute, have caused many Americans to believe that Japan is enjoying a "free ride" on American defense spending and capability.

Since the close of World War II Japan has relied on the United States to deter Soviet expansion in the Far East and to defend Japan from any regional threats. Japan's U.S. imposed Constitution renounced war and revoked the right of belligerency of the nation. Constitutional interpretation

¹ Closer to two percent using the NATO accounting method which includes military pensions and other personnel costs as defense outlays (see pg. 44-45)

has allowed Japan to maintain forces but none greater than those necessary for self defense. The 1960 Treaty of Mutual Cooperation and Security between Japan and the U.S. committed the U.S. to an armed response in Japan's support in the event of any attack.

Japan's once devastated postwar economy has steadily grown stronger and is now one of the world's leading economies. Despite its stronger economy, Japan's defense contributions have significantly lagged behind those of the U.S. and, until recently, behind those of the major NATO allies (Great Britain, France, West Germany). Japanese defense expenditures have rarely exceeded one percent of their gross national product, while U.S. expenditures are close to six percent.

The growing public unrest in America caused by a more powerful Japanese economy and U.S. perceptions of Japan's "free ride" have pressured some members of the U.S. Congress to demand a greater defense contribution from Japan. The U.S. federal budget deficit, growing social problems in America and political changes in Eastern Europe will likely bring about a substantial reduction in U.S. defense spending in the 1990's. This reduction may bring additional pressure upon Japan to increase its contributions.

Although the U.S. has consistently sought a greater contribution from Japan, social, political, and legal factors

explain Japan's reluctance to comply. A Constitution and other laws that forbid war, an anti-military public sentiment fueled by a pro-constitution, liberal press, Asian neighbors that would likely be opposed to any further Japanese defense build up, and a multiparty political system including parties which assert that any defense structure is unconstitutional are just a few of these factors.

This thesis explores some of the public policy issues relevant to U.S./Japan defense burdensharing. This paper is not an attempt to verify whether Japan is contributing her "fair share" to the common defense, nor is it a repetition of the political rhetoric on either sides of the issue. Although Japan has increased its contributions over the past decade, U.S. perceptions of Japanese wealth lead many Americans to believe that Japan can do more. Yet, few Americans realize the multitude of constraints Japanese policy makers face when confronting their own defense and national security issues. This thesis provides insight into the various constraints placed upon Japan's defense and national security policy. It also presents an analysis of economic theories of military alliances in attempt to better understand the U.S./Japan defense relationship.

Specifically this thesis investigates the following national defense policy issues:

(1) Constraints imposed upon the Japanese government's defense and national security policies by the U.S., Japanese public and press, and Japan's Asian neighbors

(2) Present initiatives underway to increase Japan's defense contributions

(3) Implications of Japanese perceptions of U.S. defense commitment and Soviet threat for Japan's defense spending

This thesis provides an historical background on the U.S./Japan defense relationship. It discusses Japan's contributions towards the common defense through both its defense structure and host nation support contributions provided for U.S. forces in Japan. This thesis also analyzes the political, legal, and social factors that constrain larger Japanese defense contributions. It concludes with a discussion of a commitment-based economic theory of military alliances and an analysis of U.S. commitment to the U.S./Japan alliance.

II. HISTORICAL PERSPECTIVE

A. 1945-1960 TREATY OF MUTUAL COOPERATION AND SECURITY

In September 1945, aboard the battleship U.S.S. Missouri, representatives of the Japanese government surrendered to formally mark the close of World War II. What had begun with the 1910 annexation of Korea and the 1937 war in Manchuria, ended ignominiously with the dropping of two atomic bombs by the U.S. on mainland Japan. Japan's plans for hegemony over Asia lay shattered among the ruins of the nation.

A formal Treaty of Peace was signed on 8 September 1951 restoring full sovereignty for the islands and territorial waters to the newly formed Japanese government. Japan gained full independence the following year. U.S. Secretary of State John Foster Dulles urged Japan to begin rearming immediately after regaining its sovereignty (Reed, 1983, p.7). However, the new Japanese government's first priority was rebuilding their country and they declined Secretary Dulles' suggestions citing Article IX of the Japanese Constitution. This article, largely attributed to General Douglas MacArthur, Supreme Commander of the Allied Powers, states:

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of forces as a means of settling international disputes.... land, sea and air forces, as well as other war potential will never be maintained. The right of belligerency of the state will not be recognized. (Adams, 1988, p.69)

To provide Japan with security from international conflicts prior to its rearming, a U.S./Japan Security Treaty was signed. The Treaty declared that as a "provisional arrangement" the United States would provide security for Japan, but "...Japan will itself increasingly assume responsibility for its own defense against direct and indirect aggression." (Reed, 1983, p.7) The Security Treaty provided for the stationing of U.S. forces in Japan in exchange for the commitment of these forces to come to the aid of Japan in the event of an attack. This arrangement with the U.S. came to be known as the "Yoshida Strategy" after Japanese Prime Minister Shigeru Yoshida.

The outbreak of the Korean War was the impetus for the first rearming of Japan. As U.S. forces stationed in Japan were pulled into combat in Korea, General MacArthur ordered the Japanese to form a 75,000 man Police Reserve Force. This force, which later added a maritime component, became the National Safety Force and formed the core of the Japanese Self Defense Forces. The Japanese Defense Agency, a Cabinet level

agency overseeing the defense establishment, and the Self Defense Forces, Japan's military component, were formed in 1954 with the passage by the Japanese Diet of the Defense Agency Establishment Law and the Self Defense Forces Law. In 1954, a Mutual Defense Assistance Agreement was signed by the U.S. and Japan, permitting the U.S. to provide a flow of military equipment and technology to Japan.

The U.S./Japan security treaty was challenged from its inception as unconstitutional by Japanese political parties opposed to the creation of any Japanese defense force. The ensuing controversy consumed much of the early debate on Japanese defense until the Japanese Supreme Court decided that the security treaty was constitutional. The Supreme Court decision involved a 1957 riot at Tachikawa Air Base near Tokyo. Plans had been developed to extend the base's main runway into an adjacent field. A riot began when surveyors came to the base and several rioters who trespassed on base property were arrested. The Tokyo District Court found them not guilty. The District Court decided that the security treaty "...was unconstitutional because it provided for the stationing of U.S. forces in Japan." (Kim, 1969, p.18) The U.S. forces constituted "war potential" and were, therefore, unconstitutional under Article IX of the Japanese

Constitution. Therefore, the trespassing laws enacted under the treaty were also deemed unconstitutional.

The Supreme Court overturned the decision in 1959 stating that "war potential" is that which Japan has command and control over. Furthermore, they decided that Japan's right to enter into a security agreement with another nation and right to self defense were not unconstitutional:

Naturally, the above in no way denies the inherent right of self defense, which our country possesses as a sovereign nation, and the pacifism of our Constitution has never provided for either defenselessness or non-resistance....If there are to be guarantees of the security of our country in order to preserve its peace and security, it is natural that we be able to select...appropriate measures and methods regarded as suitable under existing international conditions. Article IX of the Constitution in no way prohibits a request to another country for security guarantees for the maintenance of peace and safety of our country. (Maki, 1964, p.303)

A Basic Policy for National Defense was adopted by the Cabinet of Prime Minister Nobusuke Kishi in 1957. This policy declared that "...the objective of national defense is to prevent direct and indirect aggression..." but "...to repel such aggression" if necessary (Reed, 1983, p.44). However, the main thrust of the policy was to depend on the U.S. defense umbrella for Japan's security. The policy's elements are to: (1) support the United Nations; (2) promote public welfare and enhance patriotism; (3) develop an effective self

defense capability; and (4) to "...deal with external aggression on the basis of the Japan/U.S. security arrangement." (Reed, 1983, p.45)

B. 1960 - 1976 NATIONAL DEFENSE PROGRAM OUTLINE

In 1960 Prime Minister Kishi sought to revise the 1951 Security Treaty. Japan wanted "...an explicit commitment from the United States to defend Japan from external attack, elimination of the controversial section dealing with internal security, more mutuality regarding consultations, and a fixed termination date." (Reed, 1983, p.8) The United States wanted a firmer commitment from Japan to aid in the defense of the western Pacific. In the 1960 Treaty of Mutual Cooperation and Security the Japanese attained their goals, but the U.S. received no further commitments from Japan.

Article V of the treaty states:

Each party recognizes that an armed attack against either Party in the territories under the administration of Japan would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional provisions and processes. (Van de Velde, 1988, p.17)

However, unlike the NATO alliance, which provides for mutual security, the U.S./Japan alliance is one sided and does not require Japan to defend U.S. interests outside Japanese territories. The Treaty has recently been described as

"...enshrin(ing) not a mutual defence alliance, but a lopsided contract in which most of the responsibilities and obligations for Japan's defence fall to America." (Buzan, 1988, p.558)

A Status Of Forces Agreement was signed as per the Treaty providing a division of responsibilities and a legal basis for the stationing of U.S. Forces in Japan. As per the agreement, Japan was to provide land and facilities without cost to the U.S. The U.S. agreed to bear "without cost to Japan" all expenses for the stationing of U.S. forces in Japan (Reed, 1983, p.22).

The 1960 Treaty proved to be extremely unpopular with Japanese opposition parties, but was rammed through the Diet by the Prime Minister. The opposition parties, with the aid of the liberal, pro-constitution press, sparked wide spread protests against the treaty, eventually forcing the cancellation of President Eisenhower's visit to Tokyo. The social movement against the treaty, known in Japan as "Ampo" was similar in many ways to U.S. student protests against the war in Vietnam. "The youthful idealism of my generation found its expression in the demonstrations against the security treaty,"² stated Koichi Kato, Director General of the Japanese

² Stated in a speech before the Trilateral Commission, Tokyo Plenary Meeting, Tokyo on 21 April 1985.

Defense Agency (Kato, 1985, p.325). The Treaty became so unpopular with the opposition parties that party members had to be physically removed from the chamber when they blocked the entrance to prevent the Speaker of the House of Representatives from calling a vote on the treaty.

The "Three Non-Nuclear Principles" that have guided Japanese security policy to the present were first enunciated by Prime Minister Eisaku Sato in 1967. These principles - "...not possessing, manufacturing, or allowing the introduction of nuclear weapons" (Van de Velde, 1988, p.38) - were later adopted as a Diet resolution in 1971. The principles, however, have not prevented Japan from relying on the protection of the nuclear umbrella of the U.S. In addition, although Japan does not possess nuclear weapons, it stated in the Japanese Defense Agency's 1970 White Paper on Defense that it would not be unconstitutional to do so:

It would be possible to say that in a legal and theoretical sense, possession of small nuclear weapons, falling within the minimum requirement for capacity necessary for self defense and not possessing a threat of aggression to other countries, would be permissible. (Reed, 1983, p.26)

C. 1976 - PRESENT

In accordance with the Basic Policy for National Defense, Japan began building up her defense forces starting in the mid 1950's. Four build-up plans were initiated from 1956 to

1976. At the conclusion of the fourth plan in 1976 Japan introduced the National Defense Program Outline (see TABLE #1). In light of a perceived waning of American presence in Asia in the 1970's, Japan established new objectives and responsibilities for the Defense Agency and the Self Defense Forces.

The National Defense Program Outline marked a turning point in Japanese defense history as the outline developed a strategy for weapons acquisition planning. The defense outline was based on the premise that Japan would repel "...limited and small scale aggression." The Japanese believed that a large scale attack by an opposing force would be deterred by the political impact such an attack would have on the international community. The strategy was one of "threshold deterrence", i.e. forcing an adversary to attack with a force large enough to immediately invoke American intervention. (Simon, 1986, pp.30-33)

To realize the objectives of the outline, the Japanese Defense Agency instituted the Mid-Term Defense Program Estimate, a five year planning document providing a prioritization of defense objectives to be used in annual budgeting.³ The expected rise in the defense budget led the

³ The Mid Term Defense Estimate was elevated to the status of a government document under Prime Minister Nakasone.

TABLE #1

**JAPANESE FORCE STRUCTURE UNDER THE
NATIONAL DEFENSE PROGRAM OUTLINE**

SDF Personnel Quota		180,000 personnel
Ground SDF	Units deployed regionally in peacetime	12 Divisions 2 Composite Brig.
Basic Units	Mobile Operation Units	1 Armored Div. 1 Artillery Brig. 1 Airborne Brig. 1 Training Brig. 1 Helicopter Brig.
	Low -altitude ground to air missile	8 Anti-air Artillery
Maritime SDF	Anti-Sub Surface Ship Units (for mobile ops)	4 Escort Flots
Basic Units	Anti-sub Surface Ship Units (Regional District)	10 Divisions
	Submarine Units	6 Divisions
	Minesweeping Units	2 Flotillas
	Land-based Anti-Sub Aircraft Units	16 Squadrons
Major Equipment	Anti-Sub Surface Ships	Apx. 60 Ships
	Submarines	16 Submarines
	Combat Aircraft	Apx. 220 Aircraft
Air SDF	Aircraft Control and Warning Units	28 Groups
Basic Units	Interceptor Units	10 Squadrons
	Support Fighter Units	3 Squadrons
	Air Reconnaissance Units	1 Squadron
	Air Transport Units	3 Squadrons
	Early Warning Units	1 Squadron
	High Altitude Ground-to-Air Missile Units	6 Groups
Major Equipment	Combat Aircraft	Apx. 430 Aircraft

Source: (Reed, 1983, p.48)

government of Prime Minister Miki to decide in 1976 that defense spending "...will be limited to not more than one percent of the estimated gross national product of each fiscal year for the time being." (Reed, 1983, p.24) This policy was designed to please both those calling for increased defense spending and for those against it. As the Japanese economy grew, defense spending would increase, but it would be controlled and would not cut into domestic spending.

Prime Minister Masayoshi Ohira began the first major increases in defense spending under the Outline, but died suddenly in 1980. His successor, Genko Suzuki initially followed up on Ohira's policies. Unfortunately, he was a compromise choice of the ruling party. Despite being in a weak political position, almost unable to stop his cabinet - "...men who equaled or exceeded him in stature" (Feldman, 1981, p.36) - from raiding proposed defense expenditures for their own ministries, Suzuki pushed through substantial defense increases in JFY 81 and 82.

It was under Prime Minister Suzuki, however, that Japan announced its most definitive military responsibility. Following a May 1981 summit meeting with President Reagan, Suzuki stated:

Japan on its own initiative and in accordance with its Constitution and basic defense policy, will seek to make even greater efforts for improving its defense capabilities in Japanese territories and in its surrounding air and sea space, and for further alleviating the financial burden of U.S. forces in Japan (GAO/NSIAD, 1989, p.15-16).... Our defense efforts will now cover several hundred nautical miles of our surrounding waters and 1000 miles of sealanes from our shores. (Niksich, 1982, p.85) (see Figure #1)



Figure 1 Japan's 1000-mile Defense Perimeter
 Source: (GAO/NSIAD, 1989, p.15)

Although attacked by the press on his return to Tokyo for using the term "alliance" in describing the U.S./Japan relationship, Suzuki increased Japan's defense budget 7.61% and 7.75% respectively in JFY 1981 and 1982.

While Suzuki tried to play down the military connotations of an alliance, his successor, Yasuhiro Nakasone, did not shy away from them. Nakasone became the first Prime Minister to openly discuss burdensharing issues. He even went so far as to discuss Japan's role in a U.S./Soviet conflict when he stated that Japan would be like an "...unsinkable aircraft carrier, putting up a tremendous bulwark of defense against the infiltration of the (Soviet) Backfire bomber."⁴ (Tokinoya, 1986, p.5)

Prime Minister Nakasone continued Suzuki's defense budget increases with a 6.5% increase in JFY 83 despite overall Japanese government spending remaining relatively constant. Under continuous pressure from the U.S., Nakasone broke the formerly sacrosanct 1% limit by proposing a JFY 87 defense budget of 1.004% of GNP. Though it was only a small increase in actual expenditures, its symbolic impact was great. Nakasone's successor, Noboru Takeshita, followed up on this

⁴ Nakasone was misquoted. While translating his remarks, his interpreter said "unsinkable aircraft carrier," while Nakasone's actual words were "big aircraft carrier."

step by breaking the limit again by proposing a defense budget of 1.01% of GNP in both JFY 88 and 89.

The U.S.'s defense relationship with Japan has been characterized by U.S. demands for increased Japanese contributions and a perceived slow Japanese response. Japan's first priority after the war was to rebuild its nation and economy. Japan's Constitution and reliance on the U.S. defense umbrella allowed Japan to place defense as a secondary concern. The U.S. also benefitted from the relationship as it built a strategy around forward deployed bases. As Japan's economy grew stronger and began to compete with the U.S. economy, demands for more defense increased. Although, U.S. policy makers have consistently demanded increased defense spending, Japan's government faces a multitude of constraints that have slowed Japanese response to American demands. Chapter III of this thesis details these constraints and the present levels of Japanese contributions.

III. U.S./JAPAN BURDENSARING ISSUES

A. U.S./JAPAN BURDENSARING CONTRIBUTIONS

Japanese contributions to U.S./Japan burdensharing can be divided into two general categories: (1) that which is spent by Japan to operate or increase Japan's defense forces, and (2) host nation support provided by Japan to help offset the cost of stationing U.S. forces in Japan. In addition to their defense structure and the U.S./Japan alliance, Japan also helps the U.S. to promote and maintain strong alliance relations among key developing nations through economic means. Although not considered a direct burdensharing contribution, Japan's foreign aid budget of over eleven billion dollars, larger than the U.S. foreign aid budget, complements U.S. foreign policy and helps to maintain stability in areas of interest to the western alliance.

Before the Japanese defense build-up in the mid 1980's, the Self Defense Forces were woefully incapable of defending the Japanese islands, much less capable of upholding Prime Minister Suzuki's 1000 mile sealane commitment. Francis West, U.S. Assistant Secretary of Defense for International Security Affairs told the U.S. Congress in March 1982, that Japan lacked the capability to defend its air and sea lanes out to

1000 miles and that "...owing to these shortcomings, the Self Defense Forces do not constitute an effective deterrence."

(Reed, 1983, p.52) The Ground SDF was short of ammunition and supplies and was not capable of sustaining troops in the field for more than a few days. Fuel shortages forced the Air SDF pilots to log less than half the flight hours of their American counterparts and, due to a shortage of weapons, less than half of the pilots had ever fired a live weapon. No command and control structure existed and the SDF lacked coordination between its three branches.

In 1982, the Maritime SDF had 34 destroyers and 15 frigates ill-equipped to operate against the increased Soviet submarine threat. Their primary anti-submarine weapon, the MK 44 torpedo, was obsolete. They lacked any surface to air missile capabilities and had no interceptor or attack aircraft. Although their primary mission was to prevent Soviet access to the Pacific through the Soya, Tsugaru and Tsushima Straits, the Japanese had only one operational mine laying vessel and possessed obsolete mines. Hara Toru, the Director of the Defense Bureau, JDA, told the Diet in 1980 that it would take six months to mine the straits and that the MSDF could not prevent the Soviets from using the straits (Niksich, 1982, pp.81-82).

With the increases in Japan's defense budgets during the last fifteen years, and the strong growth in the value of the Japanese yen, the capabilities of the SDF have increased considerably. After under funding two earlier Mid Term Defense Estimates, Japan has fully funded the third estimate and will reach the objectives of the NDPO by 1991 if funding continues (GAO/NSIAD, 1989, p.14). Meeting the objectives of the NDPO will give Japan the minimum necessary capability to fulfill their commitment to defend their sealanes out to 1000 miles.

The Mid Term Defense Estimate for 1986-1990 budgets total expenditures of 18.4 trillion yen (U.S. \$147.2 billion) at 1985 prices. Upon completion of the program the JSDF will possess:

- 324 combat aircraft including 187 F-15 fighter/bombers
 - 12 E-2C early warning radar planes
 - 62 destroyers and frigates
 - 16 conventionally powered submarines
 - 94 P-3C Orions anti-submarine planes
 - 55 SSM-1 anti-ship missile launchers
 - 5 groups of Patriot surface to air missiles
- (Kawaguchi, 1989, p.24)

In addition, the JFY 1988 budget of 3.7 trillion yen included the purchase of two Aegis class destroyers which are to be completed in Japan and 60 SH60J Seahawk helicopters made under U.S. license in Japan (Wall St Journal, 1987, p.44)

Japanese host nation contributions to support U.S. forces stationed in Japan comprise four major areas: the Facilities Improvement Program, Labor Cost sharing, private land lease and base countermeasures, and miscellaneous expenses. In JFY 1987, \$1.6 billion (234 billion yen) was outlaid among these four categories. In addition, foregone revenues by the Government of Japan from the U.S. military (exempted taxes, tolls and custom charges) not included in the totals above amounted to \$654 million (90.9 billion yen) for a total of \$2.3 billion (324 billion yen) (GAO/NSIAD, 1989, p.23). This support equals approximately \$45,000 per U.S. service member stationed in Japan,⁵ the largest amount of any allied nation (Defense, 1988, p.63).

The Facilities Improvement Program funds projects to improve the quality of life for U.S. service members and their families stationed in Japan. These projects include family and bachelor housing, sewage and water treatment facilities and recreational facilities. Recent budgets also have included operational support facilities. When the program began in 1979, \$100 million (22.7 billion yen) had been

⁵ The Report of the Defense Burdensharing Panel (1988) found, however, that this amount also included "non-outlays" such as foregone revenues for the rent free land used by American bases. If these items are removed the amount provided is closer to \$32,000 per serviceman.

appropriated. By JFY 1987, the amount had increased to \$562 million (78.2 billion yen). (GAO/NSIAD, 1989, p.27)

The rising cost of Japanese labor and the escalating value of the yen have increased Japanese contributions in labor related areas. Article XII of the Status of Forces Agreement (SOFA) states that, "...local labor requirements of the United States Armed Forces...shall be satisfied with the assistance of the Japanese authorities." (Reed, 1983, p.42) In 1977 the United States and Japan signed the first of three agreements on increased Japanese support. A second agreement was signed the following year. Although the U.S. tried again in 1981, 1982, 1984 and subsequently to increase Japanese contributions in this area, the Japanese refused. A third cost sharing agreement was signed in late 1987 but required and received ratification by the Diet as the agreement was considered beyond the existing SOFA.

The 1987 cost-sharing agreement will save the U.S. approximately \$125 million each year (in 1987 dollars). In March 1988, a protocol was signed amending the agreement which should save the U.S. an additional \$125 million. (GAO/NSIAD, 1989, p.26) Under these cost sharing agreements the Japanese Government pays approximately 40% of the total salaries and benefits for the 21,000 member U.S. Forces Japan, Japanese labor force (Defense, 1988, p.34).

Leases on private land used by U.S. forces and base countermeasures expenditures totaled \$663.3 million (92.2 billion yen) in JFY 87 (GAO/NSIAD, 1989, p.24). Approximately 52% of the land used by U.S. armed forces is private land, rented by the Japanese government and given free of charge to the U.S. Base countermeasures are projects undertaken to improve the areas surrounding bases for the local citizens. These measures are important as they help foster a positive image of the U.S. and SDF armed forces in the local areas. These investments include noise abatement, nuisance prevention, housing relocation, road improvements and grants to local municipalities.

Japanese contributions for miscellaneous expenses totaled \$197.9 million (27.5 billion yen) in JFY 87 (GAO/NSIAD, 1989, p.28) These expenses include a relocation construction program to construct new facilities for U.S. forces moved off Japanese rented private lands. They also cover any property damage and pay compensation to the Japanese fishing industry for losses incurred as a result of U.S. Naval presence.

Although Japan has increased its contributions, what is most significant about this increase in spending is that much if not the majority of it has come about through the changes in the value of the yen. The total host nation contributions toward U.S. forces in Japan increased from \$1,000.4 million

in 1981 to \$2,337.5 million in 1987. This represents a 134% increase in U.S. dollars. When measured in yen the increase from 228.1 billion to 324.9 billion represents only a 42% increase. Although a 42% increase does amount to approximately six percent each year, the difference between percentages in yen and dollars is significant (GAO/NSIAD, 1989, p.23)

B. POLITICAL/SOCIAL CONSTRAINTS TO INCREASED SPENDING

Japan is placed into a difficult situation by the complexity of demands made by U .S. policy makers. Japan's position has been described as being "...torn between domestically generated pressures for a conciliatory, cautious leadership style and external pressure for a more positive, high-risk and active leadership role." (Eikenberry, 1982, p.15) While lauding Japan as America's number one economic ally, Congress has been especially vocal in their criticism of Japanese defense spending. Congressional suggestions for increased spending have included charging Japan an annual security tax of two percent of GNP (Congressman Stephen Neal (D-NC)) and negotiations to update the 1960 Security Treaty to establish a full partnership (Senator Jesse Helms (R-NC)) (Tokinoya, 1986, p.11). Representative Patricia Schroeder (D-Col), an outspoken critic of defense, has even suggested a "defense protection fee" charged to all Japanese imports to

display the relationship between their economic prosperity and their "free ride." (Fallows, 1989, p.17)

Many Japanese perceive that these demands for increased defense spending are driven more by U.S. budget problems than by any increased Soviet or regional threat to Japanese interest. This makes it difficult to obtain a consensus in Japan to increase defense spending. Japan's own unique political situation reflects a Constitution that renounces war and forbids maintaining "war potential", a need for national consensus in an often sharply divided multiparty system, an anti-military press and public sentiment, Asian neighbors who do not wish to see Japan become a military power, and a politically weak defense agency. This set of circumstances creates an even more difficult position for Japanese policy makers when they consider increases in burdensharing with the U.S.

Japan's multiparty political system and its need for consensus have contributed significantly to Japan's reluctance to increase defense spending. The Liberal Democratic Party (LDP) has been the ruling party since its emergence in 1955, but recent election losses and scandals have increased the power of the other leading parties. In September 1986, the LDP held 60% of the upper House of Representatives and 57% of the lower House of Councilors (Tokinoya, 1986, p.20)

Although some opposition parties have moved more to the center on defense issues to attract greater public support, they still differ from the LDP. The Komieto (Komie Party) and the Democratic Socialist Party, once staunch opponents of the JSDF and the 1960 Security Treaty have become more realistic on defense. The Komieto's call in the 1960's for "immediate abrogation" of the treaty has shifted to an admittance that the "...security treaty plays a certain deterrent role in Japan's security." (Tokinoya, 1986, p.15) However, the party does not desire any increase in defense spending. The Japanese Communist Party and the Japanese Socialist Party have altered their positions little and still declare the Treaty and the JSDF to be unconstitutional.

Legal and social constraints reinforce Japanese resistance to a larger defense force. An anti-military public sentiment post-WWII is present⁶, and is embodied in the Constitution and other defense establishment laws. This view is supported by a largely anti-military, pro-constitution press. The Tokyo "Big Three" newspapers, Asahi Shimbun, Yomiuri Shimbun, and Mainichi Shimbun, with a combined daily circulation of over 32 million, have been strongly opposed to

⁶ The Daily Yomiuri of 18 April 1978 reported the results of a poll that showed only 31% of the Japanese public desired a strong military.

a military build up and any U.S. intervention into Japan's internal affairs (Niksch, 1982, pp.90-91).

Japanese defense spending increases also are not looked upon favorably by many neighboring Asian nations. Most of Japan's neighbors, including South Korea, Philippines, Indo-China, Malaysia, Taiwan, Thailand, Singapore and China, were victims of Japanese aggression during WWII. They are not anxious to see a resurgence in Japanese defense capability. Although some forty five years have passed since the war, memories of the war are still fresh in the minds of Japan's neighbors. In 1986, Japan's Education Minister, Masayuki Fujio, was forced to resign under heavy Chinese and Korean protests in response to "...his support for revisionist school history textbooks and his ill considered remarks implying Korean complicity in Japan's 1910 annexation of the country." (Buzan, 1988, p.559) Prime Minister Nakasone publicly apologized for the statements made by his Minister.

The constraints against a stronger Japanese defense establishment have kept the Japanese Defense Agency politically weak. Headed by a Director General, who is a cabinet member, the JDA is not a ministry such as, for example, the Ministry of Finance. Rather it is an agency under the direct control of the Prime Ministers office. The Director General, although traditionally drawn from the upper ranks of the ruling party,

is often not a competitor for real power in the party.⁷ Members of the party aspiring to the Prime Minister's chair generally seek the more powerful ministry positions (Feldman, 1981, p.34).

The Constitution, Defense Agency Establishment Law and the Self Defense Forces Law each have been carefully prepared or interpreted to ensure civilian control over the military. The top positions in the JDA are filled by civilians and each military service is headed by a civilian. To prevent any firm military control, even the Chairman of the Japanese Joint Staff does not have command over the service commanders. This predominance of civilian control may be attributed to the opinion among the Japanese public that an unbridled military dictatorship led them into World War II.

The Prime Minister exercises, "...the supreme right of direction and supervision over the Self Defense Forces," (Reed, 1983, p.22) through the Director General and with the approval of the Cabinet, the Diet and the National Defense Council. This convoluted process of control has led some military commanders to question the SDF's ability to react in an emergency. In 1978, General Hiroomi Kurisu, Chairman of the Japanese Joint Staff, openly criticized Japanese defense

⁷ Yasuhiro Nakasone is an exception as he was DG of the JDA in the late 70's.

policy. His remarks that front line commanders may need to take action without proper authority to prevent an invasion were so contrary to the idea of civilian control that he was forced to resign immediately.

U.S. attempts to increase Japan's defense spending have been hampered by a variety of constraints on Japan's government. Excessive U.S. demands even contribute to the dilemma as they place the Japanese government in a more difficult position trying to satisfy both their own public and U.S. policy makers. U.S. officials must understand these constraints and tailor their requests for increased Japanese spending with the constraints in mind. This would include, for example, not requesting Japan to build offensive weapons that may threaten their Asian neighbors.

U.S. policy makers must also be aware of global politics as they attempt to increase Japan's contributions. A heightened threat perception and/or a weakening of U.S. commitment will affect Japan's defense spending. Chapter IV analyzes two economic models of military alliances to provide a better understanding of how the global environment affects Japan's defense spending.

IV. ANALYSIS OF ECONOMIC THEORIES OF ALLIANCES

A. OLSEN/ZECKHAUSER THEORY OF ALLIANCES

The U.S./Japan defense relationship must be described as a military alliance despite the negative connotations that this word implied to the Japanese media and public during Prime Minister Suzuki's term. In an alliance, each member-nation contributes resources in support of the alliance in order to receive the benefits that the alliance provides. These resources, the dollars, weapons and land provided, serve the common interest of each member-nation. In the case of a military alliance, the common interest of the member-nations is to deter attack from an opposing force. Generally, nations form alliances because the deterrence provided by an alliance is greater than through unilateral and non-allied deterrence.

In 1966, Olsen and Zeckhauser published "An Economic Theory of Alliances." (1966) Their theory sought to explain why suboptimality and disproportionality exist in alliances. Suboptimality exists because the defense provided by the alliance is a public good. Public goods share two critical properties, non-exclusivity and non-rivalrous. Non-exclusivity exists when it is not possible, or prohibitively costly to prevent someone from enjoying the benefits of the

good. National defense cannot be enjoyed by one citizen, but denied to his neighbor. Non-rivalrous exists when it does not cost any additional amount for another individual to enjoy the benefits of the good. Adding another citizen to the nation does not remove some of the benefit provided by national defense to other citizens. Because of these two properties, individuals do not reveal their true preferences for the amounts of the public goods that they will provide. In the absence of proper incentives to reveal their true preferences, individuals, as well as nations in the alliance, are less likely to provide the optimal amounts of the public goods. In the U.S./Japan alliance, suboptimality exists in both the U.S. and Japan spending less on defense because of the other nations defense spending. Disproportionality exists when there is an "unequal" distribution of the cost burden for the common defense, and is displayed, for example, in the disparity between each country's defense expenditures compared to GNP.

In an alliance, the defense contributions of each member-nation that go to the alliance are public goods. In the Olsen/Zeckhauser model, the ships of the Seventh Fleet, for example, are public goods as they provide benefit to both Japan and the U.S. The benefits they provide cannot be excluded from Japan, even though the ships are supplied by the

U.S. The same can be said of the ships of Japan's Maritime Self Defense Force. If the goal of the defense provided by the U.S./Japan alliance is to deter a Soviet attack, then both member-nations benefit and neither can be excluded as the goal is met.

Olsen and Zeckhauser theorized that this may lead one member-nation to have little incentive to voluntarily contribute to the alliance. A member-nation may become a "free rider," i.e. a nation that does not contribute its "fair share" to meet the common responsibility. Olsen and Zeckhauser concluded that nations do not have sufficient incentive to contribute to an alliance if they receive the benefits already paid for by other nation's contributions. They also concluded that the dilemma of "free riders" is compounded in that member-nations placing a higher absolute value on the benefits of the public good bear a disproportionate share of the cost responsibility to pay for the alliance.

Olsen and Zeckhauser tested their model on the NATO alliance in 1966. Their model can be best described by using an indifference curve map⁸ showing the value a nation places on

⁸ An indifference curve displays the different combinations of goods that provide an equal level of satisfaction to an individual. For example, an indifference curve between apples and oranges may show that an individual is "indifferent" between a set of ten apples and two oranges or a set of six apples and six oranges. For an indepth discussion of indifference maps involving

defense and non-defense goods (see Figure #2). This indifference map is cut off at a nation's present income line and turned upside down. A nation's defense capability is measured along the horizontal axis and valued positively. Defense expenditures are measured along the vertical axis and valued negatively. If nation A were not a member of an alliance, its outlay on defense goods could be shown by drawing a cost curve (a straight line) from the origin to the intersection (tangent) of the highest indifference curve. The non-allied nation A's outlay on defense would be (OB).

If nation A were an alliance member, its outlay on defense would be affected by the outlays of the other allied nations. As other allies commit their resources towards defense (OD), nation A obtains (OH) level of defense without additional cost to themselves, i.e. without giving up any non-defense goods. As allies increase their outlays on defense, nation A will pay less to obtain the same level of defense it once enjoyed without being an alliance member (OB). When the combined output of the allies is greater than the amount that nation A would have obtained without an alliance, nation A will not have to spend anything on defense to receive the level of

private and public goods, see "The Pure Theory of Public Expenditures," Review of Economics and Statistics, November 1954, V.1, pp. 387-389.

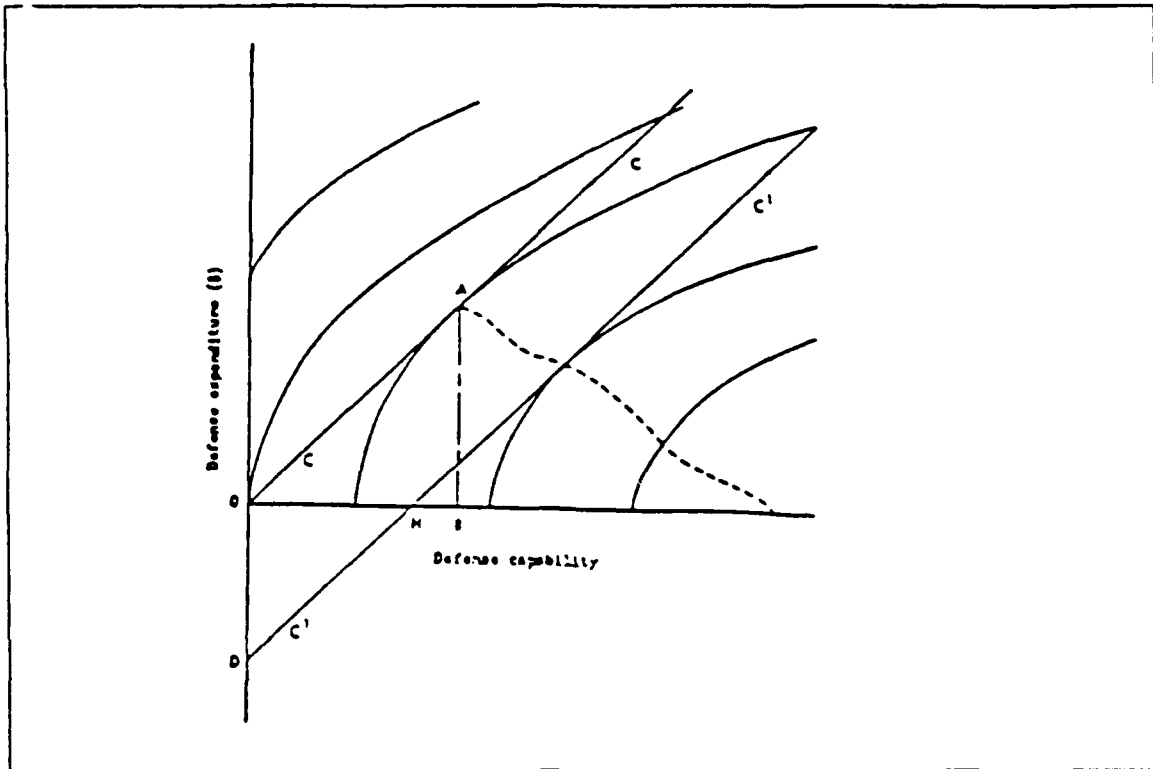


Figure 2 Indifference Curve Map
 Source: (Olsen, 1966, p.268)

defense it enjoyed without an alliance. Therefore, any defense level beyond (OB) provided by other allies will encourage nation A to become a "free rider" and refrain from contributing any defense expenditure. (Olsen, 1966, pp.268-269)

A reaction function⁹ may be created that displays the amount of defense that nation A will provide for all levels of defense expenditures provided by its allies. Allied expenditures, in turn, will also be affected by nation A's expenditures and their reaction curve may also be determined (see Figure #3). The intersection point of the curves is the equilibrium point. "In equilibrium, the defense expenditures of the two nations are such that the "larger" nation - the one that places the higher absolute value on the alliance good - will bear a disproportionately large share of the common burden." (Olsen, 1966, p.269)

In the U.S./Japan alliance, the U.S. is perceived as the "larger" nation, the one that places a higher absolute value on the deterrence benefit. The U.S. has had more global interest, whereas Japan has been more regionally oriented. An attack against the alliance by the Soviet Union would be viewed on a global basis by the U.S. as the U.S. considers the Soviets to be a global threat. Japan, on the other hand, perceives the Soviets as a regional threat and would view any aggression as mainly a regional problem. Therefore, the U.S.

⁹ A reaction function may be produced for each member-nation describing its defense expenditures in relation to its allies defense contributions. For example, for any given level of defense expenditure by the alliance, shown in a particular cost curve in Figure #1, the response of the ally can be determined from the intersection of the cost curve and their indifference curve.

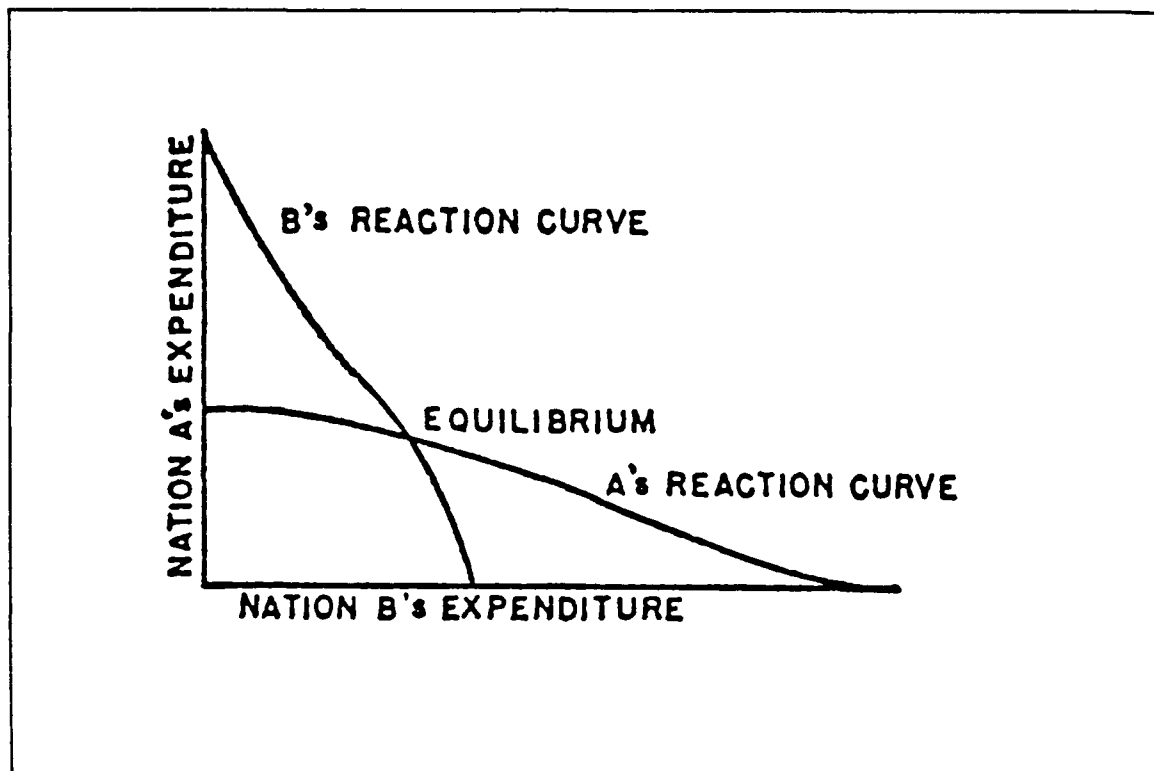


Figure 3 Reaction Functions of Two Nations
 Source: (Olsen, 1966, p.269)

has a "greater" interest in deterrence, and would place a higher absolute value on this benefit.

B. THE COMMITMENT-BASED THEORY OF ALLIANCES

More recent theories on alliances have found fault with the basic premises of the Olsen/Zeckhauser model. For example, the notion of a "pure" public good provided by the alliance has been disputed (Sandler/Forbes, 1975). The deterrence factor of a weapon, its range and its mobility were all used as gauges to differentiate between the weapon's

public goods benefits and private goods benefits. These factors (deterrence value, etc.) could then be used to determine whether weapons were actually providing a public good for the alliance, or a private good for the member-nation supplying it.

Another method of differentiating between the public and private benefits of a member-nation's contributions is based upon the commitment level of the alliance members. Terasawa and Gates have presented a theory that uses the level of commitment between the allies to defend each other to differentiate between the public and private benefits of contributions towards the alliance (Terasawa/Gates, 1990). Their theory is based on the deterrence value that any weapon or defense contribution provides to the alliance. A weapon, or any other resource that increases the cost of aggression to any potential enemy, provides a deterrence against aggression. However, to provide deterrence for the alliance the member-nations of the alliance must not only have the military capability to defend the alliance, but must also have the commitment to use the capability in support of the other alliance members.

Nuclear weapons, for example, are considered by the Olsen/Zeckhauser model and others to be "pure" public goods for the alliance. However, in the Terasawa/Gates model, the

weapons are only a public good if there is a commitment to use them in support of each member-nation. In the U.S./Japan alliance, the U.S. has a vast nuclear arsenal, that comprises a part of the military capability for alliance defense. However, theoretically, if the U.S. is perceived as not committed to using nuclear weapons in defense of Japan, then the weapons do not provide any deterrence value for Japan. Without deterrence value for Japan, these weapons provide only private benefits to the U.S. from the alliance perspective and not public benefits to the U.S. and Japan.¹⁰ In theory, a contribution towards the alliance that will not be used in support of every member-nation is capability without commitment. Because it does not meet both of the requirements for public goods (non-exclusivity and non-rivalrous) it becomes more of a private good than a public good.

An important point to note in the commitment-based model is that the perception of the level of commitment is what is most important, rather than the physical nature of the weapon system. This is true for both allies and potential aggressors. If Japan believed that the U.S. would use their nuclear weapons in support of Japan then Japan would feel no need to build their own nuclear force, as they believe that deterrence

¹⁰ However, nuclear deterrence would still be considered a public good for the U.S. public from a purely U.S. perspective.

exists. However, if a potential adversary such as the Soviet Union did not believe in the U.S. commitment to use nuclear weapons in Japan's support, then the weapons would not be a deterrence against the Soviets. The actual level between public and private benefits of allied contributions depends on the commitment level perceived by potential adversaries.

Under this theory, each country's level of defense spending would be affected by their allies contribution as in the Olsen/Zeckhauser model. However, in the commitment-based model, contributions to the alliance cannot simply measured by total allied defense spending. Allied defense spending must be analyzed with the nation's perceptions of their allies' commitment. If full commitment between the allies were perceived then all defense goods of the member-nations would be public goods and the Olsen/Zeckhauser model would apply. However, in a partial commitment model not all of the defense expenditures of an ally would be public goods. Allied defense spending is evaluated with the perceived commitment level of each ally to determine the public and private benefits of each member-nations' contributions. If a member-nation's commitment is perceived as very low, then its defense spending provides only private benefits for that individual nation. The concept of balance of public versus private benefits is significant because measuring costs consistent

with this approach may change the determination of what defense spending should be included in allied contributions, and perhaps also may alter judgments of what constitutes each member's "fair share" contributions.

C. JAPANESE PERCEPTIONS OF COMMITMENT AND THREAT

Despite the demands from the U.S. for increased defense spending, Japan, as a sovereign nation, will act only in its own best interest. For Japan to increase its defense spending to the level the U.S. desires, the Japanese government and public must perceive some need to go beyond their current spending level. In the commitment-based model of alliances, the perceived commitment level of the U.S., not the defense expenditures, influence Japanese defense spending. In theory, a perceived low commitment level would increase Japanese defense spending, where as a higher perceived level would decrease it. In addition to the commitment level, the level of the threat perceived by the Japanese also affects their spending level. If they perceive little threat to Japan, they will be less inclined to increase their defense spending than if they perceived a greater threat. Therefore, their level of spending is dependent upon both their perceptions of U.S. commitment to defend Japan and of the Soviet and/or regional threat.

In simple terms, the Japanese form part of their perceptions of the U.S. commitment on the basis of the signals the U.S. sends them. Because this is a pluralistic society these signals come from many divergent sources, and often express differing opinions. The White House, Congress, Department of State, Department of Defense and the military services, and the American media are just a few of the many sources of these signals. These signals may be as subtle as a concession on some minor issue, or as blatant as congressional or administrative Japan-bashing. Such signals may also include gestures made by the U.S. to our European allies that we do not extend to Japan.

As discussed in Chapter III, the Japanese public's perceptions is greatly influenced by the Japanese press. The press in their reporting of world events becomes a filter for the signals that emanate from the U.S. However, the print media, especially the top three dailies, are "...generally left of center when reporting the news." (Kataoka, 1989, p.41) They have been, especially during the 1970's, usually more critical of both their own government and the U.S. than the Soviets, Chinese or North Vietnamese. Often, these governments were spared harsh criticisms or editorials in the Japanese press, while the Japanese government was widely criticized for their actions.

The opposition parties in the Japanese Diet, knowing the political leanings of press, have used the media to express their views of the ruling parties actions. The opposition parties, through their use of the press, have caused many LDP leaders to waver on defense issues for fear of negative press that might contribute to losing their seats in the Diet. Widespread coverage and heated editorials in the press help the opposition parties in controversial national security or defense matters:

The government has tried to minimize public discussion of security and foreign policy issues in order to avoid confrontation with the opposition. But the opposition parties seek public airing of such issues, mounting publicity campaigns against certain government policies both in and out of the Diet. Wide press coverage of heated Diet interpellations and press exposure of any controversial behavior of the government or of individual government leaders are helpful to them. (Destler, 1976, p.55)

Because of the influence of the press in shaping the opinion of the Japanese public, the opposition parties attempt to use them often to express their views. Japanese public perception of both the U.S. commitment and the Soviet threat may, therefore, be controlled more by the opposition parties through the media, than through the ruling party. This may explain why the public and the government have such differing perceptions of both the U.S. commitment and Soviet threat. Although the press bias appears to have changed somewhat since

the early 70's, they are still pro-constitution, particularly Article IX, and remain an effective source of shaping public perceptions.

The Japanese media and public are convinced that Japan's success stems from its policy of not squandering resources on arms, and that America's difficulties stem from its own massive arms expenditures....with the help of their liberal foreign counterparts, Japan's media retain the bogey of Japanese militarism and put it to good use. (Kataoka, 1989, p.52)

1. Perceptions of U.S. Commitment

The Pacific theater has been something of a forgotten stepchild since America withdrew from Vietnam and Pentagon planners turned their attention back on Europe. As in World War II, Europe again enjoyed first priority. Former Defense Secretary Harold Brown appointed a Special Advisor for NATO Affairs, with no counterpart for the Pacific, while President Jimmy Carter came close to withdrawing most American ground forces from Korea. The western Pacific receded further from American consciousness as the Iranian crisis of 1979 unfolded, as Russia invaded Afghanistan, and as the Pentagon's focus shifted to the Persian Gulf. Not only did America's global strategy hinge on a "swing strategy" that would draw down resources from the Pacific, if necessary, to defend Europe first, but most of the Navy and Marine Corps assets put into the Rapid Deployment Force for Southwest Asia were taken from US forces in the Pacific. (Schemmer, 1984, p.32)

It was not by chance that Japan initiated the National Defense Program Outline and embarked upon a new defense strategy in 1976. The withdrawal of American troops from Vietnam and the subsequent fall of Saigon in 1975 capped a steady decline in American preeminence in Asia. American resolve to

support its Asian allies came to be doubted. Vietnam, along with Nixon's unannounced rapprochement with China and abandonment of Taiwan, and the "Nixon Doctrine" of 1968 led Japanese observers to reevaluate the U.S./Japan security arrangement. A 1970 poll found that 39% of the Japanese people surveyed did not trust America's commitment to defend Japan. By 1974, it has risen to 60%. (Eikenberry, 1982, p.70)

By the mid 1970's the Japanese public began to believe that Asia had been relegated to second class status while Europe once again took center stage (Destler, 1976, pp. 178-179). The textile issue of 1969-71 is one example of this. Richard Nixon had promised support for U.S. textile manufactures during his campaign for the 1968 election. Once in office he began demanding stricter import quotas on Japanese textiles. Many Japanese believed these to be unfair demands and ill will began to be felt at many levels of Japanese government and business. Although Nixon was not the first President to limit imports, his demands were perceived by many Japanese to be excessive and the most unyielding.

Such expectations would not have been present in a negotiation with Great Britain or Germany. Indeed these countries were major textile exporters to the U.S. market in 1969, but the U.S. did not even press the issue seriously with them, much less employ the type of insensitive, sometimes brutal, negotiating tactics it employed towards Japan. (Destler, 1976, pp.178-179)

The U.S.'s "swing shift" strategy of deploying Asian based units to the Indian Ocean, accelerated Japanese fears of a weakened U.S. commitment. The Japanese began to believe that the U.S. was not only incapable of coping with the growing Soviet threat, but also lacked the resolve to challenge the Soviets (Ha, 1980, p.250). General Brown, Chairman of the Joint Chiefs of Staff, claimed that the U.S. could not protect vital sea lanes, and Admiral James L. Holloway, Chief of Naval Operations, stated before Congress that U.S. ships operated in Sea of Japan at the "tolerance" of the Soviet navy (Ha, 1980, p.250). Such statements did nothing to quell Japanese fears. The Yomiuri Shimbun enunciated these fears in a 1978 editorial when they reported the U.S. announcement that some Asian based U.S. ships would deploy to the Atlantic if necessary, and that the remaining U.S. ships would protect the supply lines between Hawaii, Alaska and the continental U.S. (Yomiuri Shimbun, 1978, p.1)

The "swing shift" strategy involved deploying units from Asia, most notably the Seventh Fleet and the Marine units in Okinawa, to the Indian Ocean or Persian Gulf if hostilities required their intervention. The Japanese SDF would be called upon to replace the deployed units. This strategy greatly upset the Japanese since their forces, no match for the Soviets, would be left alone to defend Japan. They also

feared that Japan would be used as a jump off point for any global conflicts, in the process pulling Japan into the conflict. A U.S./Soviet conflict even in Europe might force Japan to blockade the straits to the Sea of Japan to remain a "good" alliance member, drawing Japan into the conflict. During Team Spirit 78 exercises,¹¹ the Tokyo Shimbun echoed the sentiments of many when it questioned in an editorial whether Japan should support operations that may involve them in a U.S. war.

Over the period 1955 to the mid 1970's possibly the greatest perceived weakness in American resolve to defend Japan occurred as a result of another Soviet action. Although, Presidents Johnson and Nixon assured Japan that the U.S. would defend them against any attack, including nuclear weapons, in 1965 and 1970 respectively, the 1957 launch of Sputnik spelled an end to American inviolability to nuclear war (VandeVelde, 1988, p.28). Japan began to question whether an attack on them would be met with American intervention if it would lead to a nuclear attack on the American mainland. Former Secretary of State Henry Kissinger's remarks at a NATO conference that America's nuclear war strategy, "...which was

¹¹ Annual large scale exercises between the Republic of Korea and U.S. forces, particularly those forces stationed in Japan and Korea.

established on the basis of 'threat of mutual suicide' can no longer be maintained," fueled these fears (Sankei, 1979).

2. Perceptions of the Soviet Threat

The Japanese government and public display divergent views on the Soviet threat. Despite the fact that Soviet bases are less than 50km from Hokkaido and the continued Soviet occupation of the formerly Japanese held Northern islands,¹² the majority of the Japanese public have opposed increases in defense spending. The government, however, has consistently increased spending since the mid 1970's.

An indication of the differing views of the public and government is in the accounting for defense expenditures. When the government initiated the NDPO, Prime Minister Miki called for a limit of one percent of GNP placed on yearly defense expenditures. Since that time Japan's expenditures have fluctuated near this limit, exceeding it the past few years by only a small amount. Japan, however, uses her own

¹² At the close of World War II, the Soviet Union seized the Japanese northern islands of Kunashirii, Etorofu, Habomais and Shikotan, claiming that they were part of the Soviet Kurile island chain. Japan maintains that despite the revised political map of Asia depicted in the San Francisco Peace Treaty, the islands are still Japanese islands wrongfully occupied by the Soviet Union. Japan has tried through numerous diplomatic means to regain possession of them. The Soviets have used the possibility of returning the islands to Japan as a bargaining chip on more than one occasion. Although the Japanese and Soviets established diplomatic relations in 1956, possession of the islands has continued to be a disputed point.

method of accounting for defense expenditures, one that does not count military pensions and some other expenses as defense expenditures. Some sources have estimated that Japan's expenditures would be closer to 1.7 percent of GNP if using the NATO accounting method. (Fallows, 1989, p.18) This accounting method helps screen from the Japanese public the true expenditure ratio. The Japanese government can appease a Japanese public that desires less defense spending by masking Japan's true defense expenditure/GNP ratio. Japan's accounting method's drawback for the Japanese government is that it also produces additional criticism from the U.S. when Japan is compared to NATO.

The Soviet Union initiated a major buildup of forces in the Pacific that eventually stretched their Pacific area from Petropavlovsk to Cam Rahn Bay, Vietnam (see Figure #4). By 1974, the Soviet Union had 45 divisions in Asia, and had deployed troops to the disputed Japanese northern islands. Developments in Soviet defense posture after 1976 increased Japanese fears as the Soviets deployed SS-20 missiles and Backfire bombers to Asia, built up the Soviet Pacific fleet including the ASW carriers Minsk and Novorossiysk, and installed radar installations, MIG-23's, surface to air missiles, and runways capable of supporting Backfire bombers on the northern islands. (Simon, 1986, p.42)

	North Sea	Baltic Sea	Black Sea	Pacific Fleet	Total Soviet Navy
Surface Combatants					
Helicopter Carriers	1	0	1	2	4
Cruisers	10	3	13	13	39
Destroyers	19	12	16	20	67
Frigates	48	27	47	55	177
<u>Total</u>	78	42	77	90	287
Submarines					
Strategic	43	6	1	31	81
Attack	142	26	23	91	287
<u>Total</u>	190	32	24	122	368
Amphibious					
Amphibious Warfare	11	24	25	22	82
Underway Replenishment	0	30	35	30	95
Other Support Ships	25	10	25	25	85
<u>Total</u>	75	35	45	60	215
<u>Total</u>	379	173	231	347	1,130
Other (Mine Warfare, Intelligence, Auxiliaries, Patrol Craft, etc.)					
	225	405	350	455	1,435
<u>Grand Total</u>	604	578	581	802	2,565
Naval Aircraft					
Tactical	100	135	100	150	485
Tactical Support	—	—	—	—	75
Recon/EW	85	45	35	80	245
Antisubmarine Warfare	145	50	100	145	440
Utility	95	45	170	65	375
<u>Total Aircraft</u>	425	275	405	440	1,620
Personnel	119,000	107,000	101,000	134,000	461,000

Figure 4 Soviet Pacific Fleet strength in 1982
Source: U.S. Department of Defense

Soviet naval presence was also increased dramatically (see Figure #5). The Pacific fleet has become the largest of the Soviets four fleets, experiencing an eighty percent increase since the mid 1960's. Quality has increased as well as quantity. The Soviet Pacific fleet has deployed some of their most advanced systems. The Soviets naval air arm has increased as well, including the MIG-23 with a range great enough to attack U.S. bases in Japan. Some twenty MIG-23's have been stationed on the northern island of Etorofu. The

Soviet Pacific navy also includes Backfire bombers that can disrupt the sea lines of communication (SLOC) as far south as the Philippines. (Schemmer, 1984, p.35-36)

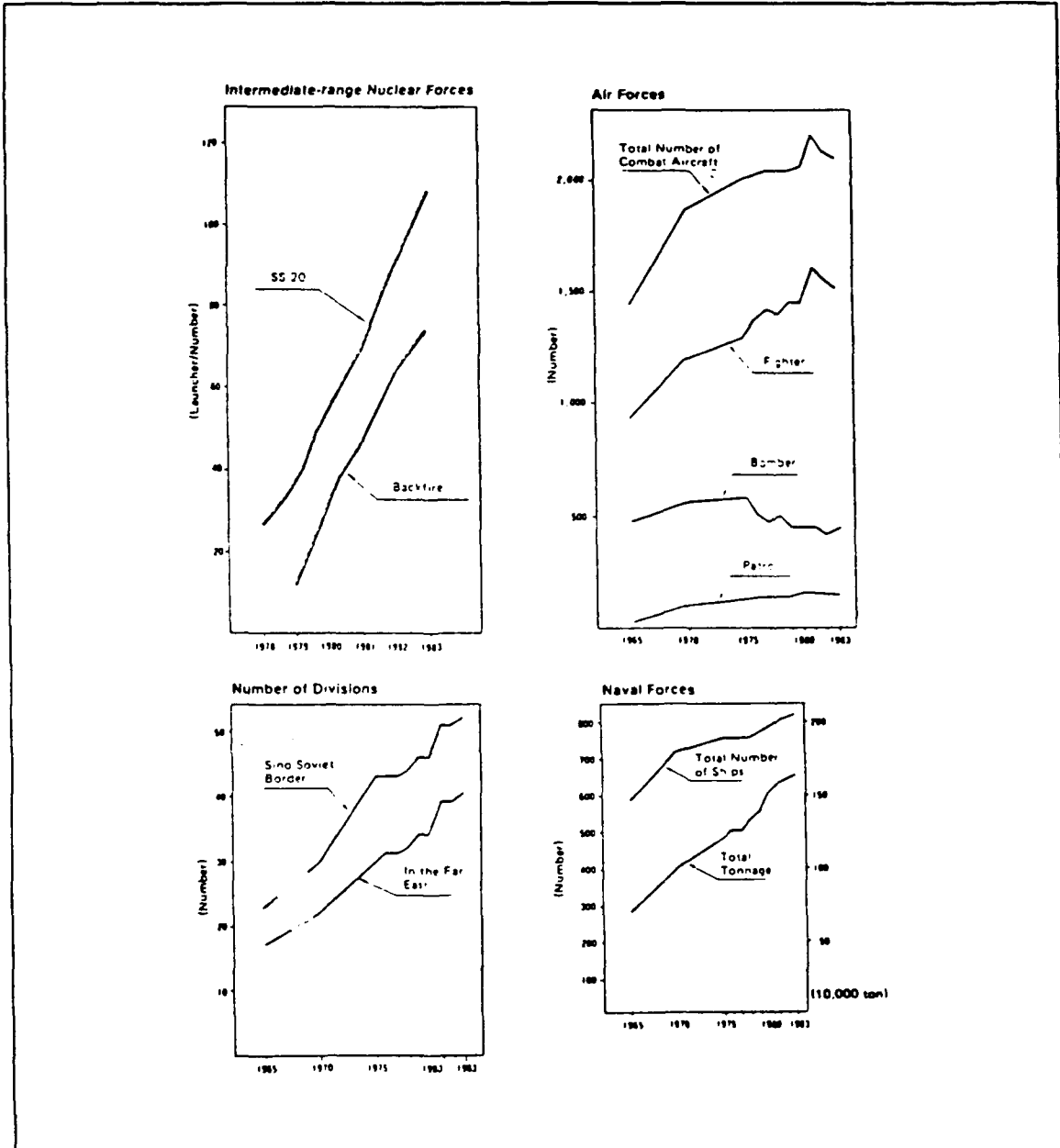


Figure 5 Trends in Soviet Far Eastern Forces
Source: (Schemmer, 1974, p.40)

Soviet violations of Japanese air and sea space also increased during this period (see Figure #6). When Soviet planes appear to be entering Japanese airspace, a Japanese Air Self Defense Force plane is "scrambeled" to intercept it. The number of scrambles increased from 700 to 929 in 1983. One JSDF plane even fired warning shots to ward off an intruding Soviet near Okinawa. Violations of the sea space have occurred including the seizing of Japanese fishing vessels near the northern islands.

Soviet exercises in the Western Pacific increased Japanese fears as the Soviets displayed their ability to cut off Japan's SLOC. A 1975 exercise named OKEAN II included four Soviet task forces operating around Japan. Two positioned themselves around the Soviet mainland while the other two positioned themselves along Japan's SLOC.

This exercise and others, including 1983 and 1985 Pacific exercises, with the Novorossiysk carrier battle group, were primarily shows of strength and demonstrated what has been called 'an operational capability of severing the links between North America, Western Europe and Japan. (McIntosh, 1986, pp.77-78)

After a 1985 Soviet exercise simulating an invasion of Hokkaido captured the island in only eighteen minutes a Soviet official commented that a real invasion would "take only several tens of minutes if we did it in earnest." (McIntosh,

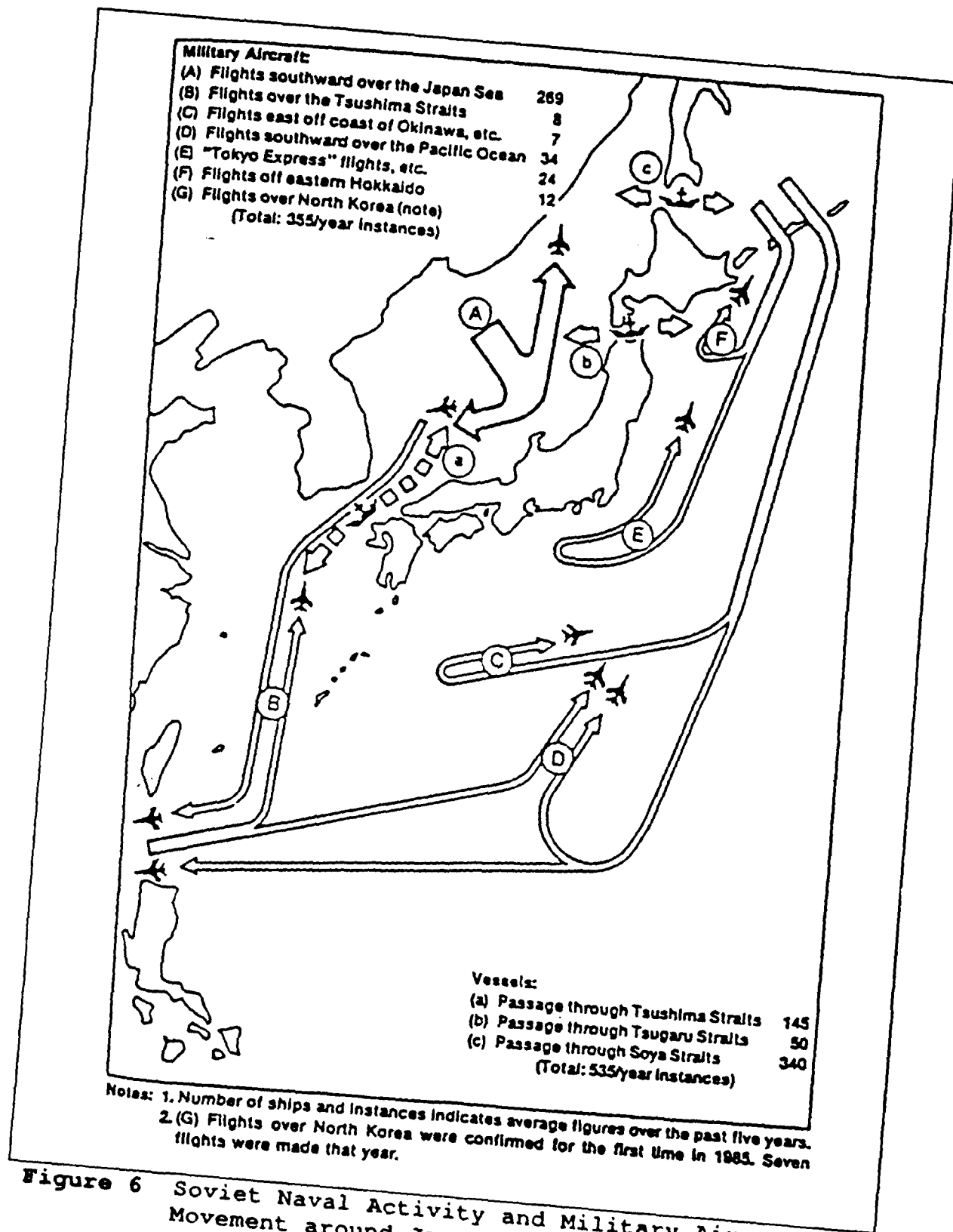


Figure 6 Soviet Naval Activity and Military Aircraft Movement around Japan
 Source: (Holland, 1988, p.16)

1986, p.85)

The Soviet threat in Asia was tragically displayed in September 1983 when a Soviet MIG shot down a Korean Airlines 747, Flight KE-007, over Sakhalin Island. This action drew harsh criticism from the international community particularly Japan. Not only were some of the 269 passengers Japanese, but the plane was destroyed so close to Japan that the wreckage landed in the Sea of Japan. The tragedy intensified the defense debate in the Diet.

D. ANALYSIS OF THE COMMITMENT-BASED MODEL

The commitment-based model of alliances predicts that a nation's defense spending will be increased by a reduced commitment perception by the allied nations and/or by an increased threat perception. During the 1970's, Japan's perception was that the U.S. commitment had diminished, while the Soviet threat had increased. The "Nixon shocks", President Carter's announced troop withdrawals, the swing shift strategy and other incidents led to a perceived weakening of the U.S. commitment. At the same time, the continuing Soviet buildup in the Pacific, Soviet violations of Japan's air and sea space and the downing of Flight KE-007 kept the Japanese perception of the Soviet threat high. Ronald Reagan's invitation to Chun Doo Hwan, President of South Korea, to visit the U.S. in 1981

and his summit with Prime Minister Suzuki were seen as a reaffirming of U.S. commitment to Asia. However, later in Reagan's first term, the U.S. went through a major recession, which resulted in, among other things, a new round of Japan bashing. The U.S.'s commitment was again questioned.

The affects that the changing U.S. commitment and Soviet threat had on Japan's defense spending can be analyzed by looking at Japan's defense budget in comparison to their overall budget. One way to measure any change would be to compare the increases in the percentage of defense outlays to the percentage increase in the overall Japanese budget. This would show the relative importance of defense in the overall budget. If defense increases were larger in relation to overall budget increases then it may be inferred that defense took on a greater importance in that fiscal year's budget and the opposite effect for smaller defense increases. We cannot just look at defense spending alone as changes in Japan's economic conditions would affect the totals as well. An analysis of defense outlays compared to GNP would also be misleading as the GNP fluctuates each year.

Appendix A displays Japan's general account outlay totals and defense outlay totals for 1965 to 1988. It also includes the percentage increase of each and the ratio of defense to overall budget. As displayed in Figure #7 defense outlays de-

creased as a percentage of total budget consistently over this period until 1982 when the trend reversed. Defense outlays also did not increase at the same rate as the overall budget

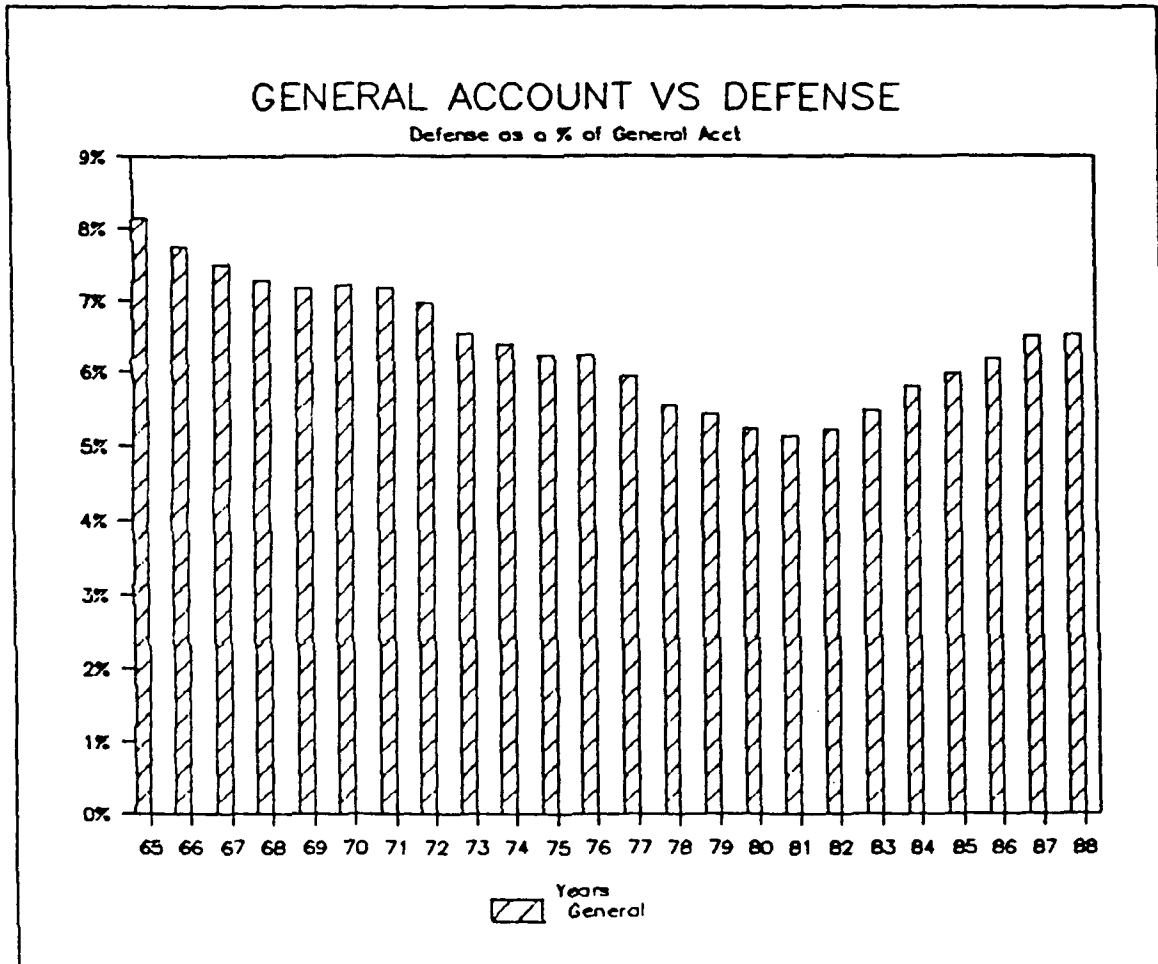


Figure 7 General Account Outlays vs Defense Outlays
Source: Prior to 1973 - Japan Economic Yearbook
1973 and later - Rand Corporation

prior to 1982 (see Figure #8). Defense outlays did, however, increase at a rate greater than the overall budget in JFY's 70, and 76. The only extended period where defense increases

outpaced overall budget increases occurred after 1981. From 1982 to 1988 defense spending increased 43.1 percent vice a 14.1 percent increase in the overall budget. Prior to 1982, Japan's overall budget increased at an average rate of 19.2 percent while defense averaged only a 15.5 percent increase.

It would appear from this data, that although the Japanese perceived a weakening of the U.S. commitment and an increase in the Soviet threat during the late 60's and 70's they did not increase their defense outlays. Most increases during the period came from increases in the relative size of the overall budget. It was not until 1982, the year that Yasuhiro Nakasone became Prime Minister of Japan, that Japan increased its defense at a rate greater than their total budget increases. During Nakasone tenure as Prime Minister U.S./Japanese relations improved as well as U.S. commitment to Japan. Japan, in addition, also increased its commitment to the U.S. by taking on greater responsibility in its own defense (Suzuki's 1000 mile pledge and Nakasone's "unsinkable aircraft carrier").

However, Japan also perceived a greater Soviet threat during this time period. The Soviets had invaded Afghanistan, shot down a Korean airliner, conducted a mock invasion of Japan and disruption of supply lines, and been dubbed an "evil empire" by the President of the U.S. What had been

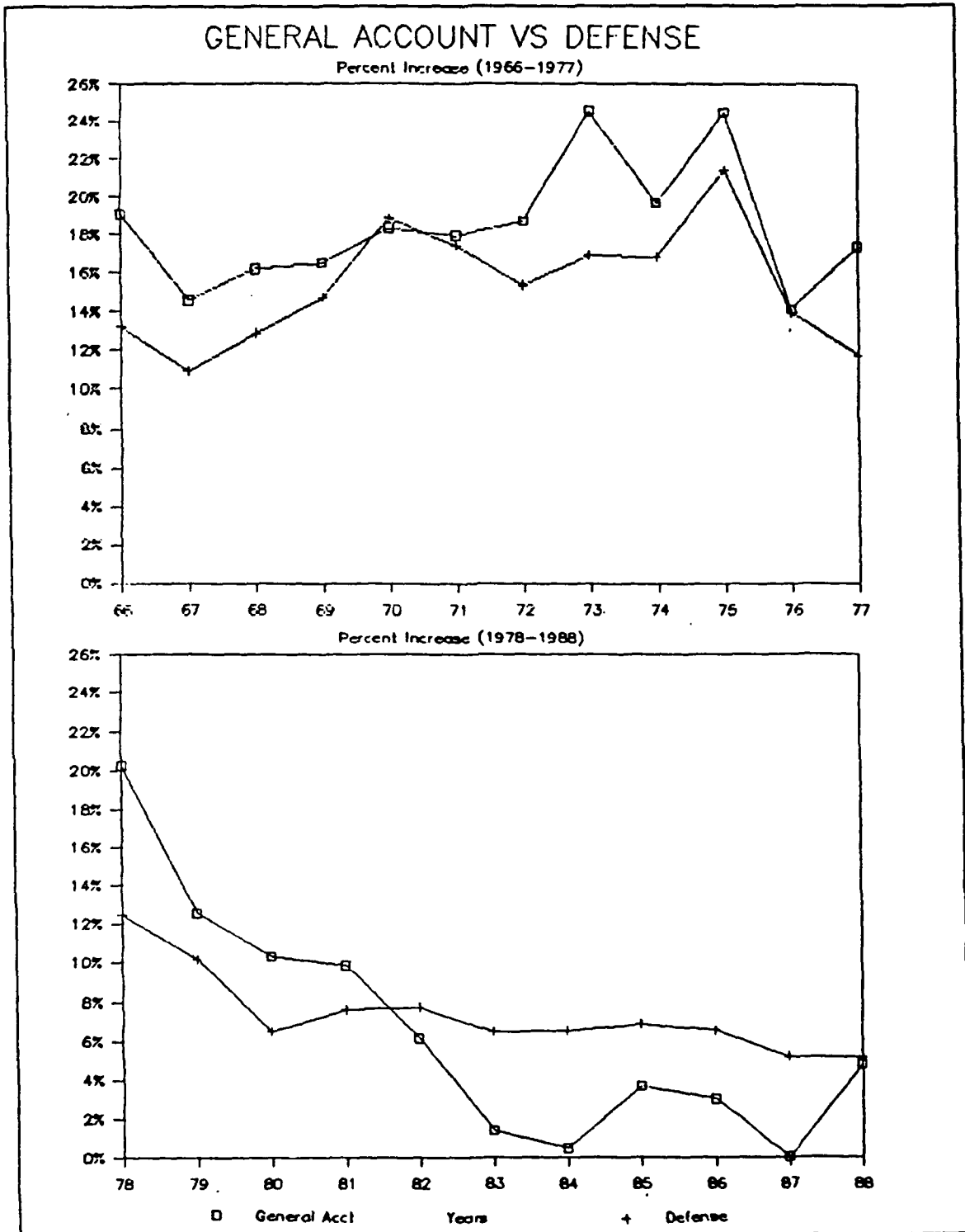


Figure 8 Trends in General Account Outlays vs Defense Outlays
 Source: Prior to 1973 - Japan Economic Yearbook
 1973 and later - Rand Corporation

perceived as a period of detente between the superpowers in the 70's became a period of poor superpower relations in the early 80's. Although U.S. commitment had been perceived as greater which would, theoretically reduce defense spending, the increased Soviet threat led the Japanese to increase their spending. The influence of the U.S. defense build-up, signifying the U.S.'s evaluation of an increased Soviet threat, also affected Japanese defense spending.

V. CONCLUSION

In 1988, Japan's defense budget was the fifth largest in the world, ranking behind the U.S., U.S.S.R., and the major NATO allies (see TABLE #2). With increases in defense spending expected to continue, Japan's defense budget should soon pass that of any individual member nation of NATO. Although it is apparent that Japan has increased its contributions to the U.S./Japan allied defense effort, from the U.S. perspective Japan can still afford to do more. While NATO struggles to maintain an average near three percent of their GNP, Japan continues to fund its defense at about one percent.¹³ (Defense, 1989, p. 96) Continuation of this policy in light of the U.S./Japan trade imbalance and the U.S. federal budget deficit appears likely to cause more "Japan-bashing" and criticisms of Japan's "free ride."

As discussed in Chapter IV, Japanese contributions appear to be affected more by their perceptions of the Soviet threat than by their perceptions of U.S. commitment. Political changes in Eastern Europe and the Soviet Union soon may carry over into Asia and bring about Soviet arms reductions there.

¹³ Closer to 2.0 percent using the NATO accounting method which includes military pensions and other personnel costs as defense outlays (see pg. 44-45)

TABLE #2

MEASURES OF DEFENSE EXPENDITURES
 (1988 Constant Dollars in Billions - 1988 Exchange Rates)

<u>Measures</u>				
<u>Nations</u>	Total Defense Spending	Total Defense per capita	Defense Percent of GDP	GDP per capita
U.S.	\$293.09	\$1190	6.1%	\$19513
Japan	\$28.90	\$236	1.0%	\$23207
U.K.	\$34.68	\$608	4.2%	\$14385
Germany	\$35.10	\$574	2.9%	\$19665
France	\$36.07	\$646	3.8%	\$17003
Belgium	\$4.10	\$415	2.8%	\$14926
Canada	\$10.02	\$386	2.1%	\$18583
Denmark	\$2.32	\$451	2.2%	\$20940
Greece	\$3.38	\$337	6.4%	\$5244
Italy	\$20.43	\$356	2.5%	\$14430
Luxemborg	\$0.09	\$229	1.3%	\$17478
Netherlands	\$6.73	\$456	3.0%	\$15371
Norway	\$2.89	\$687	3.2%	\$21667
Portugal	\$1.35	\$131	3.2%	\$4061
Spain	\$7.17	\$184	2.1%	\$8721
Turkey	\$2.66	\$49	4.1%	\$1209

Source: U.S. Department of Defense

If these arms reductions occur, Japanese public perception of the Soviet threat may change. If so, this change will make it even more difficult for Japan's Liberal Democratic Party to increase defense spending to the higher levels called for by U.S. policy makers. U.S. policy makers, in turn, may ask for greater contributions from U.S. allies as the U.S. defense budget is reduced. In addition to the constraints on spending discussed in the commitment-based model, there exists the numerous legal, political and social constraints against growth in Japanese defense spending analyzed in Chapter III.

Despite the constraints faced by the Japanese government, there are several areas where Japan can increase its contributions in ways that may be acceptable to all parties in the policy environment. Increased host nation support is one way that Japan can raise their contributions. Increased contributions to fund housing or other military support facilities has been generally more acceptable to the Japanese public than increased spending on tanks, missiles or other "war potential." This also would likely be more acceptable to members of the U.S. Congress. U.S. funding for overseas construction is politically difficult to appropriate in the Congress and easy to cut, since it does not affect any congressional districts. Japan's Asian neighbors also would be more receptive to the continued U.S. presence in Asia

versus large increases in Japanese defense forces. However, increasing their support for U.S. forces will by no means ease any Japanese fears of being drawn into an American conflict in other parts of the world.

The Facilities Improvement Program, for example, is an area where contributions may be increased without adverse political consequences. Military family and bachelor enlisted housing is in short supply in Japan and is the one of the most needed projects according to U.S. military priorities. Many service members now must wait from eight to sixteen months to receive on-base housing and in the interim rent off base housing that is small, costly and lacks many of the basic amenities of American housing. In addition, many junior enlisted members cannot afford adequate off-base housing due to the yen/dollar exchange rate.

The assumption of additional yen-based, U.S. costs by the Japanese including utilities on U.S. bases would relieve some of the burden to the U.S. of stationing forces in Japan. Japanese contributions towards funding labor costs also could be further increased to cover the salaries of Government of Japan employees who work for the U.S. armed forces. However, this proposal might be more difficult to pass through Japan's Diet. Although Japan has increased wage and benefit labor cost contributions to pay for Japanese employees working for

the U.S. military directly, the 1987 agreement requiring the Diet's approval, signaled Japan's reluctance to increase their contributions under the existing Status Of Forces Agreement (SOFA). U.S. officials are hesitant to open negotiations on the SOFA, fearing the Japanese will seek to further restrict some U.S. military base access and training rights on Japanese soil. U.S. officials hope to amend only required articles of the treaty as provided in Article XXVII of the SOFA.

Additional areas of importance to policy makers related to the topic of U.S./Japan burdensharing that this thesis has not addressed include the following that may be investigated by future research:

(1) While Japan has increased the equipment of the Self Defense Forces to include such high-tech platforms as AEGIS cruisers, they still allot far fewer funds for training, ammunition and spare parts. Although the SDF has improved, readiness is still low. Is this a cause for Japanese buying of equipment merely to satisfy U.S. demands while not believing the U.S.'s perceptions of the Soviet threat? If the U.S. is going to rely on the Japanese SDF in the event of conflict, should not the U.S. demand more readiness and supplies availabilities from the Japanese? Is this tolerance of Japan's lack of readiness an indication of the U.S.'s perceptions of the Soviet threat in the Pacific?

(2) If the U.S. Congress pushes the Japanese government too hard to increase their defense expenditures during a time of reduced threat, what will be the implications for U.S./Japan relationships? Will the Japanese ask the U.S. to withdraw U.S. forces? What implications would this action have upon Japan's defense expenditures and the balance of power in Asia?

(3) What effects will reductions in the U.S.'s defense budget have upon U.S. forces in Japan? If Japan's perception of the Soviet threat is diminished what implications will this have for Japan's defense budget?

Despite former Secretary of Defense Casper Weinberger's assertion that burdensharing encompasses both material and intangible contributions, interest has consistently been focused on the dollar amounts contributed towards the common defense (Defense, 1988, p.1). These contributions are easily measured, tied to an index such as the GNP and compared with those of other nations. However, this method "...tends to oversimplify the problem and shift focus away from the real issue, i.e. the need to redefine roles, risks and responsibilities." (Defense, 1989, p.15) Although, U.S./Japan defense relations have entered a new phase in discussing the roles and responsibility of each ally, this thesis has primarily discussed the burden of defense.

While Japan should reach the goals of the National Defense Program Outline in 1991, there are few current indications that Japan will substantially increase its defense expenditures in the period through the mid 1990's. It appears that, by meeting the requirements of the National Defense Program Outline, Japan will possess the minimum forces necessary to fulfill its pledge of defending its searanes out to 1000 miles (GAO/NSIAD, 1989, p.14). Japan has indicated that it will continue to modernize its forces and, in this spirit, has decided to build two AEGIS class naval destroyers and to develop an advanced fighter aircraft. Even if Japan does not substantially increase its own forces, Japan can strengthen the U.S./Japan alliance by increasing support for U.S. forces stationed in Japan.

APPENDIX A

**Japanese General Account Outlays and
Defense Outlays
(Yen Billion)**

<u>JFY</u>	<u>General Acct Outlays</u>	<u>Percent Change</u>	<u>Defense Outlays</u>	<u>Percent Change</u>	<u>Defense % of General</u>
1965	3744.7		305.3		8.15%
1966	4459.2	19.08%	345.7	13.23%	7.75%
1967	5110.0	14.59%	383.5	10.93%	7.50%
1968	5937.1	16.19%	432.9	12.88%	7.29%
1969	6917.8	16.52%	496.7	14.74%	7.18%
1970	8187.7	18.36%	590.6	18.90%	7.21%
1971	9659.0	17.97%	693.5	17.42%	7.18%
1972	11467.7	18.73%	800.2	15.39%	6.98%
1973	14284.1	24.56%	935.5	16.91%	6.55%
1974	17099.4	19.71%	1093.0	16.84%	6.39%
1975	21288.8	24.50%	1327.3	21.44%	6.23%
1976	24296.0	14.13%	1512.4	13.95%	6.22%
1977	28514.3	17.36%	1690.6	11.78%	5.93%
1978	34295.0	20.27%	1901.0	12.45%	5.54%
1979	38600.1	12.55%	2094.5	10.18%	5.43%
1980	42588.8	10.33%	2230.2	6.48%	5.24%
1981	46788.1	9.86%	2400.0	7.61%	5.13%
1982	49680.8	6.18%	2586.1	7.75%	5.21%
1983	50379.6	1.41%	2754.2	6.50%	5.47%
1984	50627.2	0.49%	2934.6	6.55%	5.80%
1985	52499.6	3.70%	3137.1	6.90%	5.98%
1986	54088.6	3.03%	3343.5	6.58%	6.18%
1987	54101.0	0.02%	3517.4	5.20%	6.50%
1988	56699.7	4.80%	3700.3	5.20%	6.53%

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