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JAPANESE ENERGY SECURITY AND CHANGING GLOBAL ENERGY  
MARKETS:  
*AN ANALYSIS OF NORTHEAST ASIAN ENERGY COOPERATION AND JAPAN'S  
EVOLVING LEADERSHIP ROLE IN THE REGION*

JAPANESE SECURITY IN THE TWENTY-FIRST CENTURY:  
WHOSE JOB IS IT ANYWAY?

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## **Japanese Security In The Twenty-First Century: Whose Job Is It Anyway?**

Since the end of WW II, Japan has relied heavily on the United States for military defense. This has led to policy debates within the United States as well as Japan. Some in the U.S. resent the notion that the Japanese are "free riding" and believe that they should be encouraged to shoulder more of the burden of defense. Some in Japan believe that their country cannot depend on the U.S. to defend Japanese interests and argue that Japan should be militarily self-sufficient. To address these policy debates sensibly, two important academic issues must first be considered: We must identify the conditions under which Japan and the U.S. would end their defense arrangements leading the Japanese to expand their military posture; and, we must anticipate the consequences of such an action.

In this paper, we show that our expectations regarding the conditions under which the defense relationship will change depends on what we believe has produced the relationship. We explore two arguments. First, a common explanation views defense as a public good and suggests that Japan has been able to "free ride" on the United States. This explanation relies on specifying the U.S. as a "privileged" actor who derives sufficient benefit from the provision of the public good to be willing to bear the entire cost. According to this argument, the public good being provided was security against the Soviet threat. Now that the Soviet threat has vanished, the Japanese find other security concerns more pressing; in particular, they must counter possible threats to sea lanes by which they obtain raw materials (especially oil). If the U.S. finds the benefits of protecting Japanese commerce to be less than the cost involved, it will be less willing to provide defense and will shift an increasing share of the burden to the Japanese. How the U.S. views the costs and benefits of protecting Japanese commerce depends, of course, on the answer to our second question. If the cost is low because the threats are minimal, the U.S. will be more willing to provide Japanese security. Further, the U.S. may be willing to provide Japanese security if the benefit is perceived in terms of regional stability--that is, an increase in the Japanese military may be viewed as threatening by their neighbors (particularly China and Korea) triggering an increase in their militaries and leading to a conflict spiral.

The second explanation for the current arrangement views the Japanese/American relationship as an asymmetrical alliance. In such alliances, the larger partner (the U.S.) typically provides protection for the smaller in return for influence over the smaller's

policies. Thus, the U.S. has been able to influence Japanese policy on trade, foreign aid, UN voting, diplomatic support, etc. and the U.S. has been able to maintain military bases in Japan from which it has pursued its own interests (e.g. the Vietnam war). From this perspective, the current arrangement will end when the Japanese feel that the protection they receive is no longer worth the price in terms of allowing American influence over other policies. If this argument is correct, the result could also be regional instability as other countries respond to Japanese militarization, but this would also produce many changes in Japanese policy that are contrary to American interests.

Which of these arguments is correct has important consequences for American and Japanese policy. The arguments have different implications for what costs the U.S. must bear to maintain the present military relationship as well as for the consequences of ending the relationship. More importantly, if the U.S. desires to maintain the status quo, the arguments have different implications for what must be done. If the former is correct, the U.S. must make a greater effort to provide security against specific threats deemed important by the Japanese rather than assuming that both countries' system-wide interests are paramount and identical. On the other hand, if the second argument is correct, the U.S. may find it necessary to make fewer demands of Japan in other policy areas if it wants to prevent Japan from dramatically increasing its military.

In the following sections, we develop the theoretical arguments more fully and focus them on the specific case of the Japanese-American relationship. We explore what each implies for the conditions under which the relationship would change and what each implies for the effect of such a change. In particular, we focus on the implications for regional stability and the threat to the maintenance of open sea lanes. This requires that we pay special attention to the possible effects on Japan's relationship with its neighbors, particularly China and the Koreans. Once the theoretical arguments are developed, we evaluate each in light of the empirical evidence concerning Japanese policy since WW II. This permits us to develop contingent forecasts regarding the future stability of the region, at least as it is affected by Japanese behavior. We conclude with a number of policy forecasts and prescriptions based on our analyses.

## **A General Theory of Foreign Policy**

The fundamental premise of our theory is that international politics is a struggle to achieve and protect desired outcomes on a wide variety of issues. States vie to have

their preferences realized on many dimensions and, at any moment, will be pleased with the status quo on some issues and displeased with the status quo on others. States have limited resources available with which to pursue their foreign policy goals. We believe that the fundamental decision facing states is the allocation of these resources between efforts to change unfavorable aspects of the status quo and efforts to maintain those favorable elements of the status quo.<sup>1</sup>

Our theory assumes that all states, at all times, wish to preserve some aspects of the status quo and to change others. Further, we presume that any resources devoted by a state to change some aspect of the status quo cannot also be devoted toward maintaining other aspects. Thus, our theory forces us to consider the tradeoffs states make in the allocation of their foreign-policy resources. This leads us to a fundamental assumption of our theory: states seek to produce two goods through their foreign policies--*change* and *maintenance*. *Change* refers to alterations in some dimensions of the status quo and any policies so devoted are considered to be *change* seeking. *Maintenance* refers to preserving the status quo on other dimensions and any policies so devoted are considered to be *maintenance* seeking.

From this perspective, the fundamental task of any explanation of foreign policy is to account for the precise mix of *change*- and *maintenance*-seeking policies adopted by any particular state at any moment in time. We assume that this precise mix for a given state is determined by three general factors. The first is how close the existing status quo is to the ideal point of the state on all dimensions. Second, the foreign policy resources available to a state determine how much of the foreign policy goods can be sought. This largely refers to the state's resource endowment, its economic strength, its military capabilities, and so forth. Better endowed states can simply do more in foreign policy. Capabilities are relative, however, so we must also consider the resources and policies of other states in determining how much *maintenance* and *change* a state can seek to produce. Finally, we assume that a state's preferences over *maintenance* and *change*

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<sup>1</sup> This is substantially different from many traditional approaches to international relations, which are based on the fundamental assumption that all foreign-policy actions are guided solely by a desire to enhance national security. Under these approaches, any action can (and must) be seen as security enhancing and so the role of analysis becomes to devise some account for any observed action that shows how that action increased national security. A major flaw with this approach is that it renders the concept of security nearly meaningless. This perspective also differs from those that assume that some states seek to prevent changes in the status quo while others seek to bring such changes about.

matter. Naturally, we presume that more is always better. That is, every state at every time would prefer having more of both *maintenance* and *change* to having less. Since we assume that resources are limited, however, these preferences cannot be realized. Thus, each state must make some tradeoffs over how much of the two goods it seeks to produce. We assume that some states' preferences are heavily weighted toward *maintenance*. At the extreme, this would correspond with the ideal state in traditional realist theory--it seeks but one thing, and that is to defend itself against any encroachments. We also make a specific assumption concerning the relationship between state power and the production of *maintenance* and *change*. We assume that as capabilities increase a state's ability to produce *change* increases at an increasing rate and its ability to produce *maintenance* increases at a decreasing rate. That is, a unit increase in capabilities will bring a greater increase in the ability to produce *change* in a strong state and a greater increase in the ability to produce *maintenance* in a weak state, though both states will increase their ability to produce both goods.

At this point, we can see that the model already leads to a number of hypotheses. First, we expect strong states to engage in more of all types of foreign policy activities than will weak states, *ceteris paribus*. They will engage in more disputes; they will spend more on the military and foreign aid; they will join more alliances, and so forth. Further, as a state increases in power, we expect it to increase all types of its foreign policy activities. More interestingly, we expect changes in power to have different effects, depending on the level of capabilities of the state. In particular for our interests in this paper, we expect a strong state that is getting stronger to engage in an increasing amount of *change* seeking behaviors. We have tested these hypotheses in a variety of contexts and have found that the empirical record supports them (Morgan and Palmer, 1997, 1998, 2000a, 2000b).

In order to provide empirical meaning to these hypotheses, we must associate specific forms of foreign policy behavior with *change* and *maintenance* seeking. We recognize that any policy behavior can be either *change*- or *maintenance*-seeking, depending on the motivations that drive it. We believe, however, that all behaviors are usually either *change*- or *maintenance*-seeking. For example, we associate the initiation of militarized disputes with *change*-seeking behavior. A dispute can be initiated to

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preserve some aspect of the status quo (e.g., to keep sea-lanes open) but, in the majority of cases, the initiator is trying to bring about some change. Finally, we treat foreign aid as *change-seeking* behavior. While aid can certainly be used to preserve some aspect of the status quo, we believe that it is most often, and most effectively, used to influence recipient states (Wohlander, Morgan and Palmer, 2000).

The fact that several types of foreign policy behavior can produce *change* and several types can produce *maintenance* leads us to expect that there will be a number of foreign policy "substitutability" relationships (Most and Starr, 1984). For example, if we expect an increase in *change-seeking* behavior, we might observe an increase in dispute initiation, an increase in foreign aid, or both. We generally expect states to engage in the type of behavior that most efficiently produces the desired good, however, so we typically expect to find an inverse relationship between behaviors that produce the same good--if we control for the availability of resources.<sup>2</sup>

In the next section of this paper, we present a brief summary of an approach to the study of alliances that will be useful in deciphering the nature of the U.S.-Japanese relationship. This will be important, as one of the primary sources of Japan's ability to pursue its desired ends in international relations rests (or so it is sometimes averred) on the willingness of the United States to support Japan, either directly or indirectly. In particular, we expect that changes in American behavior as well as in Japan's relative capabilities will be directly associated with the changes in several types of Japanese foreign policy.

## **Frameworks for the Analysis of Alliances**

In this section, we present two methods of analyzing alliances: one based on the two-good theory, the other focusing more on alliances as security arrangements. The first method allows us to see the U.S.-Japanese alliance as a political arrangement that affects each country's entire foreign-policy portfolio. An application of the second will tell us whether, in fact, the alliance between the two countries is fundamentally concerned with and directed toward deterring Japan's enemies from attacking. In the subsequent section, we will apply these two frameworks to the U.S.-Japanese alliance.

### **Traditional Approaches to Alliances**

Alliances have long been the subject of theoretical and empirical analyses of international relations. A primary reason for this is the traditional view that alliances simultaneously create and counter much of the tension in world politics, i.e., joining an alliance provides a state its primary mechanism for increasing its security quickly, and the formation of alliances is often the source of heightened tension among states. A wide variety of work has grown out of this perspective. For instance, scholars have argued that states form short-term arrangements to offset the increased power or the threat posed by the formation of an adversary's alliance, by aiding in the maintenance of a rough parity of power between opposing. They may also signal aggressive intent, or a commitment to come to the defense of an attacked friendly state. This work on alliances concentrates on the effect of alliances on the likelihood and severity of war, or more generally on the level of tension. Another major branch of the work on alliances examines the effects of membership on the non-conflictual aspects of foreign policy. As with more traditional analyses, much of this work starts with the assumption that the function of alliances is to provide protection to their members from outside threats. A valuable subset of that work sees alliances as providing the collective good of deterrence to their members.

The work on the non-conflictual effects of alliance membership alerts us to two aspects of alliances. First, alliances can effect the interaction between states on more dimensions than that of security. For instance, trade, foreign aid, and patterns of collaboration may be altered by mutual membership in an alliance. Second, security concerns may not be the sole, or primary, motivation for states to seek alliance membership. Views of international relations that are based exclusively on considerations of security and issues of war and peace may miss a major motivation that states may have in joining alliances, and in their foreign policy more generally.

### **Alliances in the Two-Good Theory**

Most theories of alliance participation start with the assumption that states are motivated by a desire to increase their security. The two-good theory, on the other hand,

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<sup>2</sup> The precise substitutability relationships expected from this model are actually quite complex. They are presented in Morgan and Palmer, 2000a.

assumes that states may join alliances for reasons beyond the achievement of increased security, i.e., the achievement of *change* and *maintenance*. The derivations from the theory imply that alliances that consist of strong and weak members serve as mechanisms that allow the weaker states to trade *change* for *maintenance*, and allow the stronger states to acquire *change* while providing *maintenance* to weaker states. Implicit in this is the idea that the formation of the alliance occurs when bargaining between or among allies has been successful in realizing a Pareto-superior outcome. Each state has achieved a situation whereby it gives up some of one good for a more valuable amount of the other. In this way, alliances can be distinguished by their membership: those consisting of only major powers are "symmetrical" in that all members are pursuing similar goals (*change*), while alliances that consist of major and smaller powers are "asymmetrical."<sup>3</sup>

The two-good model assumes that alliances, like all foreign policies, are costly, which means that no state will form an alliance unless it is efficient. If the state can obtain a more preferred mix of *maintenance* and *change* without the alliance than it can get with the alliance, it will devote its resources to some other policy. States will align only when both can get *maintenance* and/or *change* cheaper through the alliance than through other available policies. This has an important implication for our argument--one result of a state's forming an alliance is that its power increases instantaneously. Alliance membership, rather than constraining state behavior, allows states to do more internationally.

Further, the two-good theory's application to alliances has implications for foreign-policy substitutability. Membership in an alliance allows a state to gain one of the goods more efficiently than it might otherwise, freeing resources that can be devoted

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<sup>3</sup> New Zealand's security agreements with Great Britain and the United States provide excellent examples of asymmetrical alliances. Neither British nor American security interests were directly served by New Zealand's involvement, and yet each state benefited from their arrangement. Specifically, in its alliance with Britain, New Zealand received "pledges by the Royal Navy to protect them from putative threats by France, Germany, Russia, and the United States, considerable weaponry... and logistical and training support" (Hoadley, 1994, 30). In return, "the British market provided almost the sole outlet for New Zealand exports" (Laking, 1988, 44) and New Zealand supported British proposals regarding the British Dominion (Hoadley, 1994). ANZUS (formed in 1951) was a similar asymmetrical alliance that benefited both the U.S. and New Zealand: "New Zealand had an alliance with the world's greatest power to shield [it] from remote contingencies. In return, [it] would continue to fight in Asia" (Pugh, 1989, 52). Additionally, the U.S. used ANZUS to convince Australia and New Zealand to "agree to liberal terms in the peace treaty with Japan" (Gardner, 1988, 207).



to other policies. That is, we would often expect a state in an alliance (even one intended to advance the state's *maintenance*) to increase its other *maintenance*-seeking behaviors, such as defense spending.

### **Security and Alliances**

Alliances, including the U.S.-Japanese alliance, are frequently assumed to provide security to their members. Alliances with nuclear powers do so through the supply of nuclear deterrence, which is a “public good.” A public good has the properties of non-rivalness and non-excludability, which mean that the alliance’s deterrence cannot be withheld from members and that it is essentially costless for the nuclear power to provide. Much work has been done on alliances that contain states capable of providing a public good to their allies. To describe the interaction of the nuclear-power state with its allies, two general models are used. In the first, the “free-rider” model, the non-nuclear states use the power of the nuclear state against it. The relationship that emerges is one where the larger state provides the deterrence for the alliance while the smaller states contribute very little, or none at all. The second pattern is referred to as the “bargaining model”. It asserts that the mutual commitment of the allies is an important component of the alliance’s deterrent capability. Further, the allies come to value that mutual commitment, as it facilitates international communication on security and non-security matters. According to this model, since the alliance itself is valued, the member states will cooperate with each other and agree on the general orientation of the alliance and on a division of labor that results in the larger state providing more deterrence while the smaller states contribute those things (such as foreign aid) that they are better able to.

These two patterns can be used to analyze U.S.-Japanese relations. This is important to do because Western politicians sometimes assert that the United States provides Japan with virtually all its security from international threat, and in return the U.S. is treated to Japanese trade barriers. This is an argument that rests on the “free-rider” model. The “bargaining model”, on the other hand, portrays the relationship where the U.S. and Japan are partners, with some disagreements to be sure. Nonetheless, from this perspective the Japanese respond to the alliance through their foreign policies by

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contributing things other than security to the “Western” alliance. We provide a very brief analysis of two recent alliances to illustrate the models and their uses.

The U.S.-Japanese alliance is sometimes compared with the North Atlantic Treaty Organization (NATO). That is largely because each alliance is headed by the United States, with a general goal of seeking stability in the post-World War II era, with a specific goal of deterring attacks by adversaries (primarily the Soviet Union) on American allies. Since the beginning of the alliance, NATO has had as one of its explicit goals the coordination of defense policies. This goal is more than just rhetorical, however, and has had real policy importance. Specifically, analyses of the patterns of the defense spending of the NATO allies shows that the allies and the United States have generally increased or decreased their defense spending in the same direction (Palmer, 1990a, 190b). This pattern is not expected by the “free-rider” model, but is a vital aspect of the “bargaining model.” For instance, in the mid to late-1950s, when the Soviet military threat was seen as significant, as it was again in the late-1970s to mid-1980s, the U.S. and the allies (particularly the larger allies) increased their defense spending. In the late-1960s to mid-1970s, however, during the period of *détente*, the allies generally decreased their defense burdens. This tendency to change spending in the same direction indicates a cooperative relationship. It is counter to functioning of alliances in theories that have one major state providing security while the other allies free ride on it. NATO, contrary to the way it is often portrayed, is an alliance where its members cooperate with each other. Concern for protection from outside military and political threat is a common (but not the only) interest that has bound the NATO allies together.

The now-defunct Warsaw Treaty Organization (WTO) provides a counter example to NATO. Generally speaking, throughout the history of the WTO, the non-Soviet allies did not respond to changes in Russian defense spending, either in response to changes in the international environment, or to urgings by the political leadership in Moscow; neither, however, did the allies free-ride on Soviet defense efforts, apparently not relying entirely on the credibility of the Soviet “deterrent” from Western attack (Palmer and Reisinger, 1991). In other words, the Warsaw Pact was not an alliance where either free riding or cooperation between allies was evidenced. It was also not an alliance that saw the smaller allies relying on the military capability of the major power for protection from external aggression. Indeed, it appeared that the existence of the

Warsaw Pact rested largely on the willingness of the USSR to coerce cooperation, or at least restraint, from its smaller allies.

The foreign policy that is most analyzed in research investigating the affects of alliance membership on foreign-policy behavior is the state's defense burden. This is so in large part because defense burden results from political calculations of the state's leadership on a fundamental component of security policy. More critically, the manner in which a state's defense burden responds to changes in its allies' defense burdens tells us much about the underlying nature of alliances. When we turn to an analysis of Japanese foreign policy, we will investigate how the Japanese defense effort has responded to similar American changes.

We turn now to looking at the recent history of specific components of Japanese foreign policy.

### **Aspects of Japan's Foreign Policy**

To analyze the direction of Japan's foreign policy in the near future, we concentrate our analysis on three components of foreign policy: conflict involvement, foreign aid, and alliance behavior. While these three do not cover all the activities a state can pursue in furthering its international interests, each of these components is a widely recognized and discussed aspect of a state's foreign policy. Looking at Japan's activities in these areas allows us to apply scholarly knowledge and, more directly, our model to the near-term future of Japan's foreign policy.

In undertaking our analysis, we assume that Japan is like other states in that its foreign policy is coherent and goal-oriented. We make no *a priori* judgment as to what those goals may be. Further, we do not discount the role of domestic political institutions or of international political turmoil in the formation of foreign policy. But we reject the argument that Japan's uniqueness, for instance, means that no general approaches to the study of foreign policy can be applied. Japanese post-war experiences do not imply that any investigation of its foreign policy from a global perspective is bound to be fruitless.

We will look at the general factors that are expected to affect Japan's alliance behavior, conflict involvement, and foreign aid allocation, and to which we have applied our model in the past. By separating the components of foreign policy in this way, we

will be able to identify the areas where we expect Japan to become more (or less) active in the future. We will also be able to characterize the nature of the U.S.-Japanese relationship to provide the basis for our conclusions about the role the U.S. might expect to play in the future.

### **Alliance Behavior**

The nature of the U.S.-Japanese relationship is described by a variety of specific issues. Trade disagreements, of course, have been at the heart of the diplomatic activity between the two states for some time. Tensions arising from the presence of American forces on Okinawa have waxed and waned over the years. The United States has had occasion to be dissatisfied with Japan's contribution to the maintenance of Western security, as was evidenced during the Gulf War. These issues, real as they are, tend to cloud the fundamental nature of the U.S.-Japanese relationship. We believe that an investigation of the U.S.-Japanese alliance - informed by theories of alliances that have been tested and validated historically – goes far to helping us understand what Japanese foreign-policy issues in the 21<sup>st</sup> century will be.

What is the nature of the U.S.-Japanese alliance? As we will show, the United States has served to deter Soviet military aggression against the Japanese, that is, it has provided security to the Japanese. The alliance has also allowed the Japanese to keep a relatively small military, one of the hallmarks of free-riding against which the West sometimes rails. On the other hand, the alliance has led the Japanese to allocate relatively large sums to foreign aid, and the amounts of that foreign aid are directly affected by the level of security that is provided by the Japanese, as we demonstrate below. What is the resulting character of the alliance?

Throughout its history, the U.S.-Japanese alliance has differed fundamentally from NATO on a central point. While the U.S. and its NATO allies have coordinated their defense budgets and their security policies, the U.S. and Japan have not. Indeed, an analysis of the relationship between the American and Japanese defense budgets shows their virtually complete independence. The alliance, therefore, is not consistent with what one would expect from the “bargaining model.” Instead, the fact that Japan has managed to keep its defense budget so small (usually less than 1% of GNP) is a hallmark of the “free-rider” model.

Before concluding that Japanese-American relations are best captured by the lack of cooperation that characterizes the free rider model, we need to investigate the effects of the American defense effort on various aspects of Japanese foreign policy. As we will see, the United States had some effect during the Cold War in deterring Soviet military moves against Japan. Also, we will show that the size of Japanese foreign aid is directly and positively affected by the U.S. defense effort – something that is directly predicted by two-good model. To anticipate matters slightly, we will conclude that both the U.S. and Japan gain through their alliance. The Japanese respond to American actions by pursuing foreign-policy actions and goals that are similar to (though not identical with) American preferences.

### **Conflict Behavior**

In our model, the role of militarized conflict initiation is quite simple: states initiate militarized conflict in an attempt to change the *status quo*. That is, the initiation of conflict is *change-seeking* behavior.<sup>4</sup> To be sure, change-seekers have a range of other policy options available, but, in our model, the probability of conflict initiation is greatest in those countries highly motivated to alter the *status quo* in a direction they favor—specifically, in relative strong countries increasing in power. Since Japan is a relatively strong country, we expect it to initiate conflict when it is increasing in capability, that is, when it has an interest in and the ability to alter the *status quo*. To investigate Japanese conflict behavior, we used the Militarized Interstate Dispute (MID) data set, which records all threats, displays or uses of military force by one nation against another (Jones, Bremer and Singer, 1996). We focus, of course, on the disputes that involved Japan. In the period since World War II through 1992 (the last year for which we have complete dispute data) Japan has been involved in forty-nine bilateral military conflicts, and of those, Japan initiated only one militarized interstate dispute, while it was the target in the remaining 48. It appears that Japan does not to use militarize disputes to further its foreign-policy ends. Instead, as we will show below, foreign aid serves as one of Japan's primary mechanisms for changing the behavior of other states. Our understanding of the

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<sup>4</sup> The initiation of a militarized conflict may on occasion be a *maintenance-seeking* act designed to preempt an attack by another country. While we think it more likely that the initiator of a particular conflict is the state most

goals of Japanese and of American foreign policy in East Asia is that stability, particularly militarily, is strongly desired. Thus, our interest turns to the question of what, if anything, serves to deter Japan's enemies from initiating military action against it? Prominent among these, we expected, is the deterrent ability of the United States.

One of the factors that we suspected would affect Japan's adversaries is the power of the United States. We suspect, too, that increases in the power of Japan's most powerful adversaries, the Soviet Union/Russia and China, will increase the likelihood that those two countries will initiate conflicts with Japan. Last, Japan's own capabilities are expected to deter others from beginning conflicts. To test this, we empirically analyzed the number of militarized interstate disputes in which Japan was involved each year. Our independent variables are the power of each of the four states. To measure "power" we used the Correlates of War "Combined Index of National Capability", (CINC) (Singer, Bremer, and Stuckey, 1972). The results are shown in Table 1.

**Table 1**

Effect of Power on the Likelihood of Japanese  
Involvement in Militarized Disputes,  
1950-1992  
(Dependent variable: Number of Japanese Disputes)

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interested in altering the status quo, the exceptions to this make our model harder to prove but they do not invalidate the empirical applications of the model.

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Japanese power	-.573 <sup>**</sup> (.289)
Russian power	.362 <sup>**</sup> (.160)
Chinese power	.407 <sup>***</sup> (.133)
American Power	.001 (.060)
Constant	-8.32 <sup>***</sup> (.301)
Log-likelihood Full Model	-50.28
Log-likelihood Null Model	-60.97
Chi-Squared	20.02
Significance	.0005

One-tailed significance levels reported (\* p < .10; \*\* p < .05; \*\*\* p < .01)  
Standard errors in parentheses.

As the table indicates, Japan becomes the target of fewer disputes when its power increases. This is not terribly surprising. On the other hand, increases in Russian and Chinese power lead to greater Japanese involvement in disputes. This, also, is as one would expect. Perhaps most surprisingly, the American capability has no discernable affect on Japanese dispute involvement. Apparently, the U.S. does not deter Japan's enemies, generally speaking.

This last finding merited further exploration, we thought. Accordingly, we investigated Japan's involvement in disputes that were initiated by specific countries, such as the Soviet Union/Russia, China, and North Korea. We expected that the U.S. might be more successful in deterring militarized hostility initiated by some countries against its Japanese ally but not, apparently, by all countries. We found, as one might anticipate, that U.S. military spending significantly lowered the probability that the Soviet Union would initiate disputes against Japan. On the other hand, neither China nor North Korea was deterred by American defense efforts. We infer from this that the former Soviet Union/Russia viewed American defense activities as relevant to its foreign-policy behavior toward Japan. In other words, the U.S. security arrangement

with Japan was directed, in large part, towards keeping Japan safe from Soviet actions. The U.S.-Japanese alliance was meant to achieve strategic stability, and was seen by the Soviet Union as an inherent part of the American policy of containment. The deterrence that the U.S. provided the Japanese was an important component of the stability that the rules of the Cold War provided. On the other hand, American behavior was not seen by Korea or by China as meant to deter their own actions towards Japan. The U.S. security arrangement was seen by Japan's adversaries as global in nature, and directed towards the USSR; it was not directly regional, and was not a deterrent in the East Asian context.

### **Foreign Aid**

The second area of foreign policy we investigate is the allocation of foreign aid. In our model of foreign policy, states give foreign aid in order to extract concessions from the recipient nation. Foreign aid can, depending on the precise circumstances, serve *maintenance*- or *change*-seeking ends, but by-and-large it is given in order to alter policies in the recipient. Indeed, we have argued elsewhere that foreign aid is one of the most effective *change*-seeking policies available to a state. Our model sees aid as given more by large states than by weaker states, and more by large states increasing in power. When we apply our model to Japan, we might expect to see its foreign aid to increase dramatically as its economic situation has improved. That, however, is not the case, and we will see that the pattern in aid policy that our model has uncovered highlights the nature of the U.S.-Japanese relationship.

Based on our model's implication, we undertook a series of statistical analyses of the major economic and political causes of changes in Japanese foreign aid from 1956 through 1996, the last year for which we have reliable aid data. For Japan, changes in foreign aid are strongly affected by economic factors. In Table 2, we present the results of our analysis of the effect of the growth of the world share of the Japanese economy on changes in its foreign-aid allocation. Data on the Japanese economy were taken from the Correlates of War Project. The analysis contains three independent variables: the Japanese share of the world economy, yearly changes in that share, and an interaction of those two variables. The coefficients on the variables tell us what we might expect to see regarding Japan's foreign aid under a variety of possible changes in its economic circumstances. For instance, if Japan's economy remains at about its current 8% of the



global economy, we would expect to see Japanese foreign aid to grow at about \$700 million dollars per year. Surprisingly, if Japan's economy grows more slowly than the world economy as a whole (or even if it contracts), we expect to see Japanese foreign aid to increase at an even *faster* rate: should the Japanese economy grow at an annual rate 3% less than the world average, aid will increase by about \$1 billion per year. If the Japanese economy grows faster than the world's average, on the other hand, growth in aid can be expected to decline: should the Japanese economy grow 3% faster than the world average, we expect to see foreign aid to increase at slightly less than \$500 million per year.

**Table 2**

Effect of Economic Factors on the Changes in  
Japanese Foreign Aid, 1956-1996

(Dependent variable: Yearly Change in Japan's foreign aid)

Japan's Share of the World Economy	-179.6* (99.6)
Change in Japan's Share of the World Economy	-7373.5*** (2270)
Interaction of Share and Change in Share	801.7*** (247.0)
Constant	2124.0*** (944.1)
Adjusted R-square	.2026
Durbin-Watson statistic	2.13
N	35
Significance	.0183

One-tailed significance levels reported (\*  $p < .10$ ; \*\*  $p < .05$ ; \*\*\*  $p < .01$ )  
Standard errors in parentheses.

A short comparison between Japan and its primary regional partner and adversary, the People's Republic of China, is merited here. It is worth noting that Japan's average annual *increase* in foreign aid is approximately the same as China's average yearly *total* foreign aid allocation. We have argued that the initiation of conflict

and foreign aid are each excellent examples of *change*-seeking policies. That Japan's foreign aid is much larger than China's does not, in itself, reveal that China's overall foreign policy does not contain significant components of *change*-seeking behavior. Recall that in the post World War II period ending in 1992, Japan initiated only one international military dispute. In that same period, China initiated 75 disputes. Apparently, China's foreign policy is oriented toward achieving some change in the international status quo, though each state pursues its desired changes with the tools most suited to it. For China, military activity is chosen, while the Japanese seem to rely to a much greater extent on foreign aid to accomplish similar ends.

Our general theory has been applied to the phenomenon of foreign-policy substitutability (Morgan and Palmer, 2000a). Essentially, we argue that when a state seeks to pursue one of our goods, *change* or *maintenance*, it has a set of policies that are better able to accomplish that relative to some other group of policies. When it pursues a particular good, for instance, *change*, by increasing emphasis on one policy, such as foreign aid, we expect to see a subsequent decline in the emphasis on another policy that is generally used for pursuit of that same good. However, we expect little effect on policies that are better at achieving the other good. We have applied these general expectations and found that they are well supported. We applied our model of substitutability to Japan's foreign policies, with results consistent with our model.

As we have argued elsewhere, two policies that are relatively efficient at achieving *change* are the allocation of foreign aid and the initiation of interstate conflict. We have looked at those two policies in particular to determine whether a change in emphasis on foreign aid is associated with the involvement in conflict for most states. We have found that it is: generally speaking, as states increase their foreign aid allocations, they decrease the rate at which they initiate conflict (Wohlander, Morgan and Palmer, 2000). China is one example of a state that fits this general pattern very well. But recall that Japan initiates interstate conflict very infrequently. Conflict initiation is not an important component of Japanese foreign policy. Therefore, we cannot expect to find any trade-off between conflict initiation and foreign aid allocation.

Instead, our model of substitutability leads us to expect that some facets of American foreign policy should have a large influence on Japanese foreign aid. The U.S.-Japan alliance provides Japan with *maintenance*. That is, the United States aids

Japan in the protection of aspects of the *status quo* that Japan favors. Specifically, the United States acts to protect Japanese sea lanes from international threat; such a policy is vital not only for Japanese trade but for the maintenance of its access to raw materials.<sup>5</sup> According to the two-good theory, the U.S.-provided *maintenance* creates for the Japanese a temporary imbalance of goods in their foreign-policy portfolio. In other words, given its national capability, the U.S. provides more maintenance to Japan, and to derive the largest benefit from its overall foreign-policy portfolio, we expect Japan to pursue greater amounts of *change* as the *maintenance* it receives from the U.S. increases.<sup>6</sup> To see whether this expectation was correct, we analyzed Japanese foreign aid as a function of American defense spending. U.S. defense spending is an indicator of the *maintenance* that the U.S. annually provides its allies, whether European or Japanese. We also analyzed how Soviet/Russian and Chinese defense spending affects Japanese aid. And, last, we wanted to see how Japan’s own defense expenditures affect its foreign aid allocations. The results of this analysis are shown in Table 3.

**Table 3**

Effect of Four Countries Defense Spending  
on Japanese Foreign Aid, 1955-1996

**(Dependent variable: Japanese aid, constant 1996 U.S. dollars)**

Japanese defense spending	15.70 (28.84)
Russian defense spending	-.10 (3.18)
Chinese defense spending	18.49 (21.78)

<sup>5</sup> The U.S.-led coalition against Iraq in the 1990-91 Gulf War is another prominent example of American policy that supplies Japan with the ability to protect things it likes – in this instance, secure access to oil.

<sup>6</sup> This argument has been made in slightly different form by others, prominently Mark Boyer (1993).

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American defense spending	23.57 <sup>***</sup> (6.46)
Constant	1209.7 <sup>**</sup> (497.1)
Adjusted R-square	.8758
N	43
Significance	.0000

One-tailed significance levels reported (\*  $p < .10$ ; \*\*  $p < .05$ ; \*\*\*  $p < .01$ )  
Standard errors in parentheses.

As the results in the table indicate, neither Russian nor Chinese defense spending affect Japanese aid allocation. Indeed, Japan’s own defense spending is unrelated to its aid spending. As we expected, though, American defense expenditures are positively associated with Japanese aid allocations: as the American defense budget increases, so does Japanese foreign aid. The provisions of maintenance by the United States leads Japan to increase its desired changes in world politics more vigorously through its foreign aid allocations.

This finding is consistent with the expectations of the two-good model. It represents a division of labor between the U.S. and Japan, where each pursues policies at which it is more efficient. The United States uses its extensive military capability to provide maintenance to the alliance, and through that increases the confidence that Japan has in the continued existence of a favorable *status quo*. The Japanese, in turn, utilize more directly financial aspects of their foreign policy in its allocation of relatively large amounts of foreign aid. The political purposes of Japanese foreign aid are generally consistent with American foreign-policy goals. The alliance, in other words, allows each country to utilize its comparative advantage in pursuing its international objectives; and those objectives are generally desired by each country.

The alliance, whether protecting Japan from direct military attack or allowing the U.S. to exert a modicum of political control over Japan, serves as the foundation of the American-Japanese relationship. We turn now to a direct examination of the character of that alliance.

## U.S. Policy and Japanese Behavior

Generally, Japanese-American relations are analyzed using two distinct frameworks. Economic disagreements between the two countries are discussed in terms of a “level playing field,” where Japan is viewed as taking advantage of a global economic arrangement founded by an American hegemon. That arrangement rests upon free trade, and Japanese defection from the regime is seen as unfair and as requiring American and (perhaps multilateral) response. In the second framework, the U.S.-Japanese security arrangement is analyzed as an example of Japanese free riding, much as are American allies in NATO. Japan, it is sometimes argued, relies almost exclusively upon a U.S.-supplied security umbrella, contributing only an extremely limited military capability. Under our two-good theory, those two areas must be seen as linked. The Japanese, to be sure, have benefited from security and economic arrangements from the United States. So too has the United States benefited from its relationship with Japan.

Our application of the two-good models reveals three areas in which the United States has benefited from Japanese foreign policy. First, during the Cold War, the United States was at least partly successful in lowering the rate at which the Soviet Union initiated military conflict with Japan. In this aspect of the U.S.-Soviet relationship, deterrence worked. The United States acquired the stability from the Soviet Union that it desired. Second, the United States has in Japan an ally that initiates virtually no militarized interstate conflict. The security umbrella provided by the U.S. has the effect of demilitarizing Japanese foreign policy, and the stability the U.S. acquired from the USSR is matched by the stability it acquired from Japan. It is obvious, but nonetheless merits pointing out, that the foreign policy of post-war Japan is vastly different from its predecessor. Third, the United States, through its provision of *maintenance* to Japan, has encouraged a division of labor between the two countries in which the Japanese are able to pursue greater *change*. In this situation, the Japanese have pursued an active policy of foreign-aid allocation, designed to realize changes in Asia that Japan prefers. That pursuit, of course, has come peacefully rather than through the use of military force. Whether the specific purposes of all Japan’s aid contributions mesh precisely with American preferences is a question that lies beyond the scope of this study. But certainly,

the general purposes of such aid – integration of the recipients into a Western economy– is consistent with U.S. goals.

## **Conclusions**

We began this study by noting the policy debates within the U.S. and Japan in which some have argued that the existing security arrangements between the two allies should be altered or abandoned. We noted that our expectations regarding what would result from such changes depends heavily on what one believes motivates the present alliance. Furthermore, the policy prescriptions that one advances should depend on what one expects to occur if various policy options are adopted. Our analyses in this paper suggest quite strongly that the U.S.-Japanese alliance is not a mutual security arrangement. Rather, it is a prototypical asymmetric alliance in which a strong state, the U.S., provides protection for the smaller, Japan, and the smaller, in return, adapts many of its policies to the larger's liking. Thus, we cannot properly think of Japan as free riding on the U.S., as Japan contributes significantly to the relationship--in terms of using its resources to provide foreign aid to other states as well as in terms of adopting a decidedly non-militaristic foreign policy.

This suggests that major changes in the U.S.-Japanese relationship are undesirable from the perspective of both sides. A significant increase in the Japanese military posture, whether from a diminution of the American commitment or from pressure to shoulder a greater share of the defense burden, would produce several undesirable consequences. First, it would require/produce greater militarization within Japan's political and social systems. We should appreciate that Japan has initiated only one militarized dispute in over 50 years and we should continue the security arrangements that have led to such a desirable result. Second, it would contribute to the destabilization of the region. Japan's neighbors remember the pre-WW II Japan and understand that the U.S.-Japanese security arrangements are largely responsible for the far more pleasant current state of affairs. Greater militarization on Japan's part could possibly unleash a region-wide conflict spiral. Third, an increased defense posture on the part of Japan would very likely come at the expense of foreign aid expenditures which, to the extent that recipient states' behaviors are modified, benefit the U.S. Since the past fifty years

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suggest that the U.S. can protect Japanese interests without destabilizing the region, it makes far greater sense to allow the Japanese to continue to contribute to common U.S.-Japanese interests through peaceful means.

Our analyses do suggest that the U.S.-Japanese alliance cannot remain static, however. The arrangement must be constantly monitored and adjusted to insure that both countries' interests are being served. During the cold war, the U.S. was primarily concerned with protecting the Japanese from the Soviet threat. Since that threat has passed, the Japanese would be less willing to consider the wishes of the U.S. if the American security guarantees cannot be adapted to more pressing Japanese concerns. To this end, it is necessary that the U.S. continually make it clear that it will protect Japanese interests from a variety of threats--whether Korean or Chinese missiles or threats to Japanese sea lanes from any source. This need not be seen as threatening to Japan's neighbors, particularly if it is understood that it results in a less armed, less militarized Japan. By and large, our analyses suggest that the U.S.-Japanese security arrangement is exceedingly sensible and should continue largely unchanged.

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