THE DEMOGRAPHIC PRESSURE:
NEW CONSTRAINTS ON JAPAN'S MILITARY BUILDUP IN THE 21st CENTURY

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By

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ABSTRACT

Why has the Abe administration maintained its defense spending at 1% of its GDP despite the deteriorating regional security environment, conservative Prime Minister Shinzo Abe’s willpower to play an active role in regional and global security, and pressures from its ally to invest more in defense? The purpose of the study is to improve the literature of Japanese security policy by considering the aging population as an independent variable for Japan’s constraints today. Constructivists have argued that the primary constraints are the antimilitarism norms created in the postwar Japan. Although these norms remain today, it lacks evidence as the decisive factor. The elements supporting the argument have changed over time. Realists have argued that Japan is riding cheap in the U.S.-Japan Security Alliance for its own security. While their arguments seem plausible, majority of these studies were conducted before the changes made under Abe’s initiative in 2012. Through the examination of Japan’s financial conditions over the last two decades with a focus on policy shifts under the Abe administration, this paper argues that Japan’s ever-growing fiscal challenges amid demographic shift is the largest force constraining Japan’s military developments. The paper further provides theoretical and practical implications. By introducing population as a factor, it provides areas of developments in international relations theory—how changes in population affect a country’s security strategy. The paper ends with implications for U.S. and Japanese policymakers.
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**THE PUZZLE**

Why has the Abe administration maintained its defense spending at 1% of its GDP despite the deteriorating regional security environment, conservative Prime Minister Shinzo Abe’s willingness to play an active role in regional and global security, and pressures from its ally to invest more in defense?¹

In the past decade, the security environment has deteriorated rapidly around Japan. China took over Japan as the second economic power in 2010, and has channeled its economic growth into its military power at great speed. According to the White Paper published by the Japanese Ministry of Defense (MOD) in 2016, China recorded double-digit annual growth in military spending consistently since fiscal year 1989. The budget exceeded 15 trillion yen, and its nominal size has increased at a rate of 3.4 times in the last decade.² On top of the expanding military investments, China has asserted that the Senkaku Islands are owned by China, and has intensified its activities surrounding Japan’s air and maritime space.³ Against the back drop, MOD recognized China as a country “rapidly shifting the regional military balance,” and perceives this situation as “attempts to change the status quo.”⁴ North Korea’s nuclear and

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¹ This paper examines the security environment, discourses, and evidence presented before the Cabinet approved the defense budget of fiscal year 2017 in December 2016. This scope of the paper does not include the budget request made by the Ministry of Defense as the official government request will be adopted in December 2017.
missile developments have also accelerated in recent years, further creating uncertainty in regional stability. By the end of 2016, North Korea has launched 62 missiles and four nuclear tests, including 20 missiles and 2 nuclear tests respectively in 2016. MOD views these events as “serious and imminent threats” to Japan and the region, as well as the international community. As a response these changing security environment, Japan’s neighboring countries have increased military spending over time. In terms of spending by the U.S. and its regional allies, the U.S., Australia, and South Korea each have increased, 1.15, 1.68, 1.72 more from 2006 to 2016, and the defense spending as of its GDP in 2016 was 3.3%, 2%, and 2.7% respectively. Japanese spending, in contrast, was 1.01 during that decade, and the percentage remained under 1% as of its GDP. The extremely low spending level compared to other regional countries underscores Japan’s peculiarity despite their recognition of the changing security environment.

Meanwhile, Prime Minister Shinzo Abe, a conservative politician with a desire to revive Japan’s global prestige, assumed office in December 2012. In February 2013, he stressed in Washington that Japan will remain as a global player on economy and security as a tier-one country. As a means to boost Japan’s economy, he launched the so-called Abenomics policy—an economic initiative constituted with robust monetary easing, fiscal stimulus, and a set of deregulation policies—to get out of the deflation cycle that Japan suffered under the “the lost decades.” On the security front, the administration has conducted a series of reforms to strengthen Japan’s national security, such as creating a Japanese version of National Security


Ibid.
Council (NSC), reinterpreting the Japanese Constitution to allow the right to exercise collective self-defense, expanding the role of the Japanese Self-Defense Force. In 2013, the NSC adopted its first National Security Strategy (NSS), which stated the administration’s security principles, the “proactive contribution to peace,” which means that Japan will “play an even more proactive role as a major global player in the international community.” Abe has also repeatedly expressed his political ambitions to revise Article 9 of the Japanese Constitution to provide legal status for the Japanese military force.

The U.S. president-elect’s remarks have also threatened the survival of the U.S.-Japan alliance, which has served as the “cornerstone” of peace and security in the Asia-Pacific Region. Since running as the Republican candidate, Donald Trump continued to threaten Japan and its other allies saying that it will pull out U.S. troops from countries if the allies don’t pay the fair share. Discussions about Japan’s dramatic increase in defense spending, defense buildup, and the possibility of possessing nuclear capability has been debated by the media, Japanese politicians, and the public.

Under such circumstances, the largest-ever defense budget passed the Diet for the fiscal year 2017 of 5.13 trillion yen ($43.5 billion) as part of the government effort to implement the

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11 “U.S.-Japan Joint Vision Statement” (The White House Office of the Press Secretary, April 18, 2015).
military development plan adopted by the government in 2014.\textsuperscript{14} While it made headlines that it was record high defense spending, the amount is still under 1% of its GDP, a self-imposed limit that Japan has been consistently using since the 1970s. Given this deteriorating security environment, the Japanese leader’s assertive approach to security issues, and increasing demand from its ally, why does the Japanese government maintain its spending level as 1% of its GDP? Constructivists have approached this puzzle of Japan’s lack of military buildup from a normative context. By examining Japan’s slow responses to the security requirements in the Cold War, these scholars argue that the “culture of antimilitarism” has constrained Japanese policymakers from pursuing an assertive policy to meet the security needs; therefore, they warn U.S. policymakers that pressuring Japan to increase its contribution will rather destabilize regional equilibrium.\textsuperscript{15} Realists, on the contrary, have challenged the antimilitarism approach, and argued that Japan is “cheap riding”\textsuperscript{16} on security under the alliance for pragmatic reasons. By examining the Japanese Self-Defense Force’s capabilities and the government’s efforts to gradually expand its role in regional and international security since the 1980s, some argue that Japan has never embraced pacifism, and has simply adopted its strategy to pass on its costs for security to other countries. Thus, they suggest that Japan will spend more on security should the U.S. threaten Japan that it will pull out troops from the bases.\textsuperscript{17}

By shedding light on Japan’s financial conditions over the last two decades with a focus on policy shifts under the Abe administration, this paper argues that Japan’s ever-growing fiscal

challenges amid demographic shift is the largest force constraining Japan’s military developments. Critics have argued that assessment of the military spending level by the percentage of GDP is ineffective to understand a country’s military power. However, the paper takes the view that it is an effective measurement to assess how much a country intends to devote its economic share into its military. The comparison of the military spending by percentage of its GDP, therefore, provides an important measurement to assess a country’s intention to expand its military power in a given security environment—either as a response to its threat perception and/or its military ambition. A country with a low spending level means that either that county does not perceive major threats or does not intend to invest in its military, such as countries in Europe. On the contrary, the high percentage means that either a country perceives threats or the country’s intention to expand its military power such as Russia, China, the U.S., and North Korea. Moreover, the use of this measure also allows us to examine and identify other domestic factors that affect a country’s investment decision and its priorities. Thus, the uniqueness of Japan’s 1% spending stands out as the world’s third largest economy facing threats.

The following section has five parts. The first part examines the origins of Japan’s spending cap, and introduces a framework to compare and contrast the major competing forces that determines Japan’s military spending level. The next two parts study the two components of the framework, the cultural factor and the U.S. factor—the level of security provided by under the alliance—as an alternative explanation that makes up the 1% spending level. The fourth section introduces the main point, the financial factor for constraining Japan’s spending. The paper

\[18\] Ibid., 95. 
\[19\] It is important to note that this assessment is imperfect because some countries do not provide accurate GDP or defense spending levels for their own national security or intentions.
concludes that the growth of financial pressure, combined with the increased confidence in the security provided by the U.S.-Japan security alliance, enabled Japan to maintain its 1% cap until today.

The study attempts to improve the literature of Japanese security policy by considering the aging population as an independent variable. Constructivist’s explanations on antimilitarism norms, although remaining as factors today, lack clear evidence as the elements supporting the argument that has changed over time.\(^\text{20}\) Existing realist’s explanations of cheap riding is plausible, but scholars’ assumptions could be outdated today. There is a lack of literature explaining why Japan is riding cheap in the alliance in the 21\(^{\text{st}}\) century. In also develops the realist approach in international relations theory. For instance, the Offensive Realists’ assumption that powers seek military expansion for security reasons—the cause of economic power and spending behavior—overlooks the role of cultural, political, and financial constraints that affect a country’s intention to increase investments in its military.\(^\text{21}\) By introducing population as a factor, the paper also provides areas of theoretical developments—how changes in population affect a country’s security strategy.

The study also has implications for U.S. and Japanese policymakers. Different assumptions on the factors capping Japan’s spending could lead to very different policy outcomes. If it was due to the culture of antimilitarism, the change of such political culture over time has potential for Japan to increase its military investment. However, if it was due to Japan’s financial incapability to spend on its military, pressures from U.S. policymakers is ineffective to

\(^{20}\) Samuels, *Securing Japan*.

expand Japan’s role as a means to strengthen the level of deterrence created by the alliance. The framework presented in this paper allows us to better identify the chief factor that challenges Japan’s attempt to expand defense spending, contributing to the mandate for U.S. policymakers to come up with effective policies to enhance regional security.

**HISTORICAL OVERVIEW: THE ORIGINS OF THE 1 PERCENT CAP**

Japan’s low-key approach on military buildup derives from its post-war strategy—to rely on U.S. protection for security, and focus on economic recovery—created by Prime Minister Shigeru Yoshida. The National Defense Council and the Cabinet reaffirmed this strategy on May 20, 1957 as the third and fourth policy of the Basic Policy on National Defense, which stated:

“(3) Building up rational defense capabilities by steps within the limit necessary for self-defense in accordance with national strength and situation. (4) Dealing with external aggression based on the security arrangements with the U.S. until the United Nations will be able to fulfill its function in stopping such aggression effectively in the future.”

Later, the Japanese crystalized this principle as “exclusively defense-oriented policy” and the basic policy has not changed since then.

The triple “shocks” in the 1970s affected Japan’s approach to security policy and its military spending. On the security front, the so-called “Nixon shock”-- the U.S. opening up to

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China-- reduced the security threat by providing a favorable balance of power in the region against the Soviet power.\textsuperscript{23} The Japanese government, however, viewed such an environment as a challenge towards the necessity of the alliance, lost confidence in the U.S. security guarantee, and began considering a more autonomous security policy and the buildup of independent defense capability (\textit{jishubouei}). For instance, the director-general of the Japanese Defense Agency (JDA) Yasuhiro Nakasone proposes plans to change the 1957 basic policy and to develop independent and capabilities that requires drastic increase of the defense budget.\textsuperscript{24} This proposal was rejected by the Liberal Democratic Party (LDP) leadership amid the double shock of the oil shock and the dollar shock in the early 1970s, which urged Japan to increase public spending to save its economy. In 1975, the Takeo Miki administration adopted the National Defense Program Outline (NDPO), and introduced the Basic Defense Capability Concept (\textit{Kiban-teki Boeiryoku kousou}), a reactive approach to develop its capabilities to only filling in the “power vacuum” in the region, should it be created. This was the backdrop of the Miki Cabinet’s decision to legally cap Japan’s spending level below 1% of its Gross National Product (GNP) in 1976.\textsuperscript{25}

This decision to cap Japan’s defense spending level had economic and political reasons. By the end of 1960s, Japan had rapidly recovered its economy, and was experiencing high economic growth period. While Japan’s spending exceeded 2% of its GNP level during the economic reconstruction period in the early 1950s, the expansion of Japan’s economy enabled

\begin{thebibliography}{99}
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\item \textsuperscript{23} Michael J. Green, \textit{By More than Providence: Grand Strategy and American Power in the Asia Pacific since 1783} (New York: Columbia University Press, 2017), 345.
\item \textsuperscript{24} Akihiko Tanaka, \textit{Anzen Hoshō: Sengo 50-Nen No Mosaku}, 20-Seiki No Nippon 2 (Tōkyō: Yomiuri Shinbunsha, 1997), 234.
\item \textsuperscript{25} The Japanese government adopted the 1993SNA in 2000, and replaced the measurement from GNP to GDP. The paper uses the GDP to remain consistent with the national and international standards.
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\end{thebibliography}
Japan to develop and maintain its defense capabilities within the 1% as of GNP level. (Figure 1)\textsuperscript{26} The cap also had political reasons. In the domestic context, the Japanese public were supportive about Japan’s decrease in defense spending during that time. Thus, the JDA director general Michita Sakata convened several “Thinking about Defense” meetings in the early 1970s and actively discussed the effectiveness of the 1 percent limit. Ultimately, the administration concluded that putting a cap to defense spending could better obtain consensus and understanding from its people about Japan’s security intention.\textsuperscript{27} In the regional context, the Japanese government also believed that this cap could be a political signal for Japan’s neighboring countries that Japan is not seeking to become a strong military power. Thus, the 1% capping was a political symbol for the government to express that it did not have such an ambition, and functioned as reassurance externally.\textsuperscript{28}

The Soviet invasion of Afghanistan in 1979 once again increased the security demand in the region.\textsuperscript{29} The discussion to increase Japanese military spending surged under the Yasuhiro Nakasone administration as means to take on new roles and strengthen deterrence. For instance, Japan increased the Maritime Self Defense Force (JMSDF) role to secure Japan’s sea-lanes in order to support U.S. maritime strategy. It also relaxed the cabinet ban on arms exports to transfer technology to support U.S. President Regan’s anti-ballistic missile Strategic defense Initiative in 1983.\textsuperscript{30} It also committed to paying a greater cost of U.S. troops stationed in Japan after the appreciation of the yen in 1985, which ultimately contributed to exceeding the cap for

\textsuperscript{26} Masashi Nishihara, Jitsuo Tsuchiyama, and Heiwa Anzen Hoshō Kenkyūjo (Tokyo, Japan), eds., \textit{Nichi-Bei Dōmei Saikō: Shitte Okitai 100 No Ronten}, Dai 1-han (Tōkyō-to Chiyoda-ku: Aki Shōbō, 2010), 122.
\textsuperscript{27} Tanaka, \textit{Anzen Hoshō}, 263.
\textsuperscript{28} Naotaka Sanada, “A Study of Postwar Japan’s Defense Policy and Expenditure— With a Focus on the Quantitative Limitations —,” \textit{21st Century Design Research} No.9 (2010).
\textsuperscript{29} Tanaka, \textit{Anzen Hoshō}, 281.
\textsuperscript{30} Green, \textit{By More than Providence}, 406.
three consecutive years since 1987.\(^{31}\) Despite the Nakasone administration’s decision to scrap the legal GNP 1% cap in 1987, it has sustained around 1% today.\(^{32}\)

![Figure 1. Japan’s Defense Spending as a Share of GDP (1949-2016)](https://www.sipri.org/databases/milex)

**Figure 1. Japan’s Defense Spending as a Share of GDP (1949-2016)**

Source: SIPRI Database\(^{33}\)

Note: 1) Japan adopted 1993SNA in 2000. 2) The figures for Japan include the budgeted amount for the Special Action Committee on Okinawa (SACO) and exclude military pensions.

**THE MODEL: COMPETING FORCES AFFECTING THE DEFENSE SPENDING LEVEL**

This historical overview of Japanese security policy allows us to breakdown the major forces that have sustained Japan’s military spending level to 1% as of its GDP. Variables for defense spending includes the following: (A) Security threat; (B) Security provided by the U.S.-Japan Alliance—the level of deterrence against threat and the confidence in the alliance; (C) Cultural force—the strength of antimilitarism against desire to build a stronger military; (D) Financial force – the level of fiscal pressure against economic growth. In this model, the security

\(^{31}\) Ibid.

\(^{32}\) As Figure 1 shows, the spending between 1987-1989 does not exceed 1% when converted to GDP.

requirement for Japan is determined by the level of security provided by the U.S. (A-B). The level of spending will be determined by the competition among cultural forces and financial forces. Thus, the model allows us to understand the dynamics behind the Japanese military spending level, which has been maintained around 1% as of its GDP. The strength of this model is that it enables us to trace the rise and fall of these respective factors in post-war Japan to identify the primary forces that have constrained Japan’s military spending level in a specific time period. (Figure 2)

Figure 2. Model to Understand the Competing Forces Affecting Defense Spending

In the following three sections, I examine the three variables of this model—cultural force, security under the alliance, and financial force—to argue that fiscal pressure, driven by
demographic challenges, is the largest force constraining Japan’s spending level in the 21st century.

**EXISTING EXPLANATIONS**

*The Cultural Factor: The Anti-militarism Norm In Japanese Society*

Constructivists have attempted to explain Japan’s low defense spending from the normative constraints of antimilitarism. Through his comparative studies on Germany and Japan’s formation of security, Thomas U. Berger argues that the “culture of antimilitarism,” created in the aftermath of the catastrophic defeat in World War II, has developed into a national identity that constrains Japan’s development of its military capabilities.34 Peter J. Katzenstein also stresses the role of norms in Japanese security policymaking over changes in the international balance of power.35 By analyzing the shift in public and political debate, he concludes that legal norms such as the 1% ceiling and Article 9 of the Japanese Constitution that renounces the use of war as its means of national security still constrain developments around security policy involving the Self-Defense Force and military expenditure.36

These scholars use Japanese security policy in the 1980s as prominent evidence to justify their arguments. As discussed above in the historical analysis, the regional security requirement has increased as a result of growing Soviet expansionism in the late 1980s. The U.S. has pressured Japan to enlarge its defense, and at one point, the U.S. Congress passed bills to ask

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34 Berger, *Cultures of Antimilitarism*.
36 Ibid.
Japan to pay their share to the U.S., which amounts to 2% as of GNP.\textsuperscript{37} Nakasone came into power also pledging to increase Japan’s defense spending.\textsuperscript{38} Despite his abolishment of the spending cap in 1987, the administration was only able to increase in limited scale due to pushbacks from within his party.

In fact, Berger’s argument that the political-military culture of antimilitarism constrained Nakasone’s momentum is strong evidence. He examines the strength of this force in various levels of the society. First, the public disfavored an increase in military investments. According to poll, surveys held before and after the 1% break in 1984 and 1988, the support for maintaining the current spending level exceeded 50% --54.1% in 1984 and 58% in 1988. Support for a decrease slightly increased in 1988, from 17.2% to 19.2%.\textsuperscript{39} Second, Nakasone’s plan to increase spending faced pushbacks from the LDP mainstream, including former Prime Minister Miki who emphasized the importance of maintaining the 1% to gain public trust.\textsuperscript{40} Third, the intellectuals advocating for a stronger Japanese military were still the minority in Japan. Nakasone organized a study group (\textit{Heiwa Mondai Kenkyu Kai}), headed by a realist school of international relations and a professor at Kyoto Univeristy, Masataka Kosaka in 1983. The group concluded in 1984 that the 1% cap was not appropriate, and the party committee in charge of the defense capabilities within the LDP proposed a review of this cap.\textsuperscript{41} The party never held the review due to a massive opposition from the party mainstream. Accordingly, the anti-militarism in the

\textsuperscript{37} Tanaka, \textit{Anzen Hoshō}, 291.
\textsuperscript{38} Berger, \textit{Cultures of Antimilitarism}, 141.
\textsuperscript{39} Ibid., 155.
\textsuperscript{40} Ibid., 141.
\textsuperscript{41} Tanaka, \textit{Anzen Hoshō}, 302.
various levels of the society constrained policies to build up Japanese forces despite the changes in the international security environment.

The examination of the same elements under the Abe administration reveals that the culture explanation is losing momentum today. The comparison between the Nakasone and the Abe administrations is effective for the following reasons. First is the nature of the security threat—the shifting balance of power due to the rising revisionist power. During the Nakasone era, the security demand increased due to the Soviet expansionism and the relative decline of the U.S. power. JDA’s White Paper in 1975 had already assessed that the Soviet power was becoming dominant in the Far East. 42 Today’s security threat similarly derives from the shifting balance of power—the economic and military rise of China and the relative decline of the U.S. Second is the level of security provided by the U.S.-Japan alliance due to the strengthened ties between the two countries. The bilateral relations were in good shape under the Nakasone administration, as he proactively responded to U.S. requests, and increased the Japanese role in the U.S.-Japan Alliance mentioned above. The relations under the Abe administration also took on new roles within the bilateral relations by updating the U.S.-Japan Security Guideline in 2014. Third is that both Nakasone and Abe were conservative leaders with desire to increase Japan’s military budget and to restore Japan’s autonomy security policies. Because (A), (B), and (C) of the framework in Figure 1 are about the same level, the culture of anti-militarism or fiscal pressure are the likely candidates to explain the low spending level today.

The analysis of public opinion and the politics within the LDP provides powerful evidence that the cultural force of antimilitarism has weakened in the past decades. The

42 Green, By More than Providence, 380.
government’s recent poll survey on JSDF reveals that the number of Japanese supporting increases in military capabilities have significantly grown over the past two decades, from 7.7% in 1991 to 29.9% in 2015.43 The data also shows that it rapidly surged since 2011. The same result demonstrates that the number of respondents who have favorable views toward the JSDF have also increased during the same time period, from 67.5% to 92.2%. Finally, the views towards JSDF’s participation in overseas missions for international cooperation have also changed. More than 24% of the respondents supported further participation, and 65.4% approved the JSDF to maintain the current activities—increase from 15.5% and 43.4% in 1994.44

Moreover, Prime Minister Abe today faces smaller resistance from his party to pursue a more assertive security policy. To begin with, Prime Minister Abe’s political group, which advocates for greater military spending, the revision of the constitution, and the remilitarization of Japan as a sovereign state, has become the largest faction within the LDP.45 While Nakasone’s defense plan was pushed back within the mainstream force in the party, Abe does not face such a resistance to his security policy. The LDP’s 2012 draft proposal of the revised constitution, is an example of how the conservatives could push through their agenda as the LDP’s view. The proposal stressed the need for Japan’s own military as a sovereign power, and amended the pacifist clause, the second clause of the Article nine to ease the use of force for its national security.46 While such a proposal faced pushbacks from liberal media and opposition parties, it shows that Abe has his political base within his party to push forward a more assertive approach

45 https://www.nikkei.com/article/DGXLASFS31H02_S5A100C1PE8000/
when necessary. Not only the politicians, but intellectuals supporting to strengthen Japan’s security are not necessary the minorities anymore. The Abe administration set up the Advisory Board on Reconstruction of the Legal Basis for Security, which recommended changes in constitutional interpretation and other legislations to enable the JSDF to effectively respond to the security requirements in the region.\(^\text{47}\) Two months later, the cabinet made the decision to reinterpret the constitution to allow the right to exercise the use of collective self-defense.\(^\text{48}\)

A more prominent example is LDP’s passage of the security-related bills in 2015 despite the largest public protests since 1960. The bills, which revise SDF laws and other related laws to allow overseas missions, mobilized a great number of protestors in front of the Diet for months.\(^\text{49}\) Public polls around that time also disapproved the government’s effort to pass it during that session. According to NHK poll conducted between September 11 and 14, 19% approved and 45% disapproved of the ruling coalition’s effort to pass the bill at the session.\(^\text{50}\) A more liberal news organization the Asahi Shimbun’s survey also conducted during the same period showed that 20% approved and 68% disapproved the passage. Despite these public survey results, the administration showed no hesitance to pass the legislation in the Upper House on September 19th. This procedure demonstrates that he prioritized his political goal over public opinion.

According to the poll survey by the Mainichi Shimbun, the cabinet disapproval rate surpassed the


approval rate for the first time in October 2015, a month after the passage of the security bill. However, the approval rate surpassed the disapproval rate again within a month, and has been improving since then.\textsuperscript{51} These pieces of evidence make my argument stronger in that the force of Japan’s anti-militarism is not strong enough to constrain pressures to increase Japan’s military power.

\textit{The America Factor: The Cheap Riding of Japan in the Alliance}

Other scholars have argued that Japan’s lack of massive military spending is the result of Japan’s embracement of the Yoshida doctrine until today.\textsuperscript{52} These scholars argue that it is the pragmatic choices made by the Japanese leaders, not the antimilitarism culture or norms presented by Berger and Katzenstein.\textsuperscript{53} By assessing Japan’s military build-up and its increasing international role over the past decades, Jennifer Lind argues that Japan has never pursued “Pacifism” and that it has rather been taking a realist choices of “passing the buck” in the post war period.\textsuperscript{54} According to Lind, countries adopting the “passing the buck” strategy “recognize the need to balance against a threat, but they do as little of the required balancing as possible by relying on the efforts of others.”\textsuperscript{55}

Lind effectively counters the antimilitarism argument by examining the JSDF forces, which she claims have become “the world’s foremost military powers” by acquiring world-class

\textsuperscript{52} Samuels, \textit{Securing Japan}, 195.  
\textsuperscript{53} Ibid., 107 and 209.  
\textsuperscript{55} Lind, “Pacifism or Passing the Buck?,” 104.}
air force, strengthening its navy, and missile defense capabilities.\footnote{Ibid., 93 and 111.} Furthermore, her argument that Japan was free riding in the alliance stood strong until the end of the 20th century. As discussed earlier, the 1975 NDPO minimized the SDF capabilities to filling in the regional vacuum. The first U.S.-Japan Security Guideline in 1976 strengthened the defense relations of the two countries, but the scope of defense was still limited to protecting the Japanese territory. It and failed to incorporate Japan’s role in the security of the region, which was addressed seven years ago in the Nixon-Sato communiqué in 1969.\footnote{“Joint Statement of Japanese Prime Minister Eisaku Sato and U.S. President Richard Nixon” (“The World and Japan” Database (Project Leader: TANAKA Akihiko), November 21, 1969), http://worldjpn.grips.ac.jp/documents/texts/docs/19691121.D1E.html.} After the Cold War, regional instability created by North Korea’s missile provocations and the confrontation in the Taiwan Straits in the 1990s prompted the two countries to reevaluate the cooperation under the alliances to deal with new challenges in the region.\footnote{Institute for National Strategic Studies October 11, 2000 and National Defense University, “The United States and Japan: Advancing Toward a Mature Partnership,” INSS Special Report, October 11, 2000, https://spfusa.org/wp-content/uploads/2015/11/ArmitageNyeReport_2000.pdf.} In 1996, the two countries made a joint declaration in 1996 to reinvigorate the alliance in the 21st century, and the Guidelines were updated in 1998, for the first time in the last two decades, to strengthen the “jointness” in the defense cooperation.\footnote{“Japan-U.S. Joint Declaration On Security- Alliance For The 21st Century-” (Ministry of Foreign Affairs of Japan, April 17, 1996), http://www.mofa.go.jp/region/n-america/us/security/security.html.} Still, U.S. policymakers and intellectuals claimed that Japan is not yet an equal partner as allies. On October 2000, a bipartisan studying group led by Joseph Nye and Richard Armitage presented a proposal, \textit{The United States and Japan: Advancing Toward a Mature Partnership}, the so-called Nye-Armitage report, and described these efforts in the late 1990s as “symbolic” without “sustained high-level attention.”\footnote{Institute for National Strategic Studies October 11, 2000 and National Defense University, “The United States and Japan: Advancing Toward a Mature Partnership,” INSS Special Report, October 11, 2000, https://spfusa.org/wp-content/uploads/2015/11/ArmitageNyeReport_2000.pdf.} The demands of the U.S. sides centered around were the
following areas: improving barriers to exercise the right of collective self-defense, further cooperation in overseas peacekeeping missions, and the creation of a more flexible force structure to deal with new threats.\textsuperscript{61} Thus, the notion that Japan could do more was a wide view in the U.S. policymakers involved in U.S.-Japan relations, and is consistent with Lind’s observation.

Yet, it cannot explain the following questions. Why have the Japanese continued to expand their security role, both in scope and in depth, after the collapse of the Soviet Union? Despite Japan’s effort to increase its military capability and its role in the alliance, why has Japan never exceeded its 1\% informal cap? Why has the U.S. not abandoned Japan when it is riding cheap?

Richard Samuels argues that Japan has been doing more than other critics think. In \textit{Securing Japan}, he argues that Japanese leaders have always had faced the threat of abandonment in the Cold War world, and they have incrementally increased its role in the alliance to raise their confidence in the alliance.\textsuperscript{62} One of the examples he uses is the changes made by Prime Minister Koizumi’s quick moves to improve barriers for JSDF to take part in international peace cooperation abroad. By passing special measures in the Diet, Japan dispatched of naval forces to the Indian Ocean and deployment of ground forces to Iraq in 2005. Moreover, the 2004 NDPG emphasized the centrality of the alliance in Japanese security policy. These were Japan’s effort to increase its role in the alliance as means to ensure that the U.S. will

\textsuperscript{61} Ibid., 3–4.
\textsuperscript{62} Samuels, \textit{Securing Japan}, 177.
provide support to deal with North Korea’s nuclear threat to Japan. Thus, according to Samuels view, Japan was riding cheap on the alliance, but was certainly not a free rider by making effort to eliminate the fear of abandonment by the U.S.

The Abe administration’s security reforms underscores Japan’s such effort to restore confidence in the alliance. To begin with, the alliance had been drifting under the DPJ government. Yukio Hatoyama, initially said that it will take an autonomous foreign policy, and it preferred working with China to realize an East Asian Community. He pledged that it will take out all U.S. troops out from Okinawa since the 2009 election campaign. Against this backdrop, Abe has placed the improvement and the enhancement of U.S.-Japan alliance as its top priority as well as its core means and ways to pursue his security objectives. As early as December 2012 in his policy speech, he expressed, “The first step for Japan to reconstruct its diplomacy and security is to strengthen the bonds of U.S.-Japan alliance, which is the foundation of Japanese diplomacy.” Such a view comes from his belief, expressed in his book that shared values, such as liberal and democratic values, human rights, rule of law, and free competition, allows the two countries to become critical partners to maintain nuclear deterrence and stability in East Asia.

The Abe government responded to a number of pressures that came from the U.S. side in order to adjust the alliance to effectively respond to the new security requirements in the 21st century. Most importantly, Japan reinterpreted its constitution to exercise collective self-defense.

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63 Ibid.
64 Yukio Hatoyama, “Japan’s New Commitment to Asia - Toward the Realization of an East Asian Community -” (Prime Minister of Japan and His Cabinet, November 15, 2009), http://japan.kantei.go.jp/hatoyama/statement/200911/15singapore_e.html.
66 “Press Conference by Prime Minister Shinzo Abe,” Prime Minister of Japan and His Cabinet, December 26, 2012.
The Nye-Armitage report in 2000 stated, “Japan’s prohibition against the collective self-defense is a constraint on alliance cooperation. Lifting this prohibition would allow for closer and more efficient security cooperation.”\(^{68}\) Such a view was reiterated in a stronger tone in the updated Nye-Armitage Report in 2007 and in 2013 which certainly encouraged Japan’s efforts to change its security policy.\(^{69}\) The Abe Administration was quick to make quick and effective move to respond to these pressure. In 2012, the administration formed an advisory board to reexamine how Japan could ease its constraints to exercise the use of collective self-defense under the current constitution. As soon as receiving the report in May 2014, the administration made a cabinet decision in July to reinterpret Article Nine to allow limited use of collective self-defense.

Based on the reinterpretation, the two sides renewed the U.S.-Japan Defense Guidelines 2015, and further expanded the scope of alliance cooperation from peacetime to contingency and in cyberspace and space domain. Japan further passed the two security-related legislation in the following fall, which improved the legal barriers to facilitate the expanded JSDF role in the guidelines.\(^{70}\) For instance, under the new legislation, JMSDF warships can now protect U.S. Navy vessels, which marked a “major step in Japan becoming a ‘normal’ military power.”\(^{71}\) The new legislations also clarifies the legal boundaries for Japan’s international peace cooperation activities, “International Peace Cooperation Activities (PKO),” to better coordinate U.S. in international missions, which tackles another pointed that was stressed in the Nye-Armitage

\(^{68}\) Institute for National Strategic Studies October 11, 2000 and National Defense University, “The United States and Japan: Advancing Toward a Mature Partnership.”


\(^{71}\) Hosoya, “Japan’s New Security Legislation.”
Above all, the legislation allows Japan to use force as to respond to “an armed attack against a foreign country resulting in threatening Japan’s survival.”

Abe further advanced Japan’s ongoing effort to build a dynamic defense force as a response to U.S requests and as ways to respond effectively to new threats of China’s assertive strategy—the anti-access/area denial (A2AD) challenges. For instance, the most recent Nye-Armitage report suggests that

…the new environment requires significantly greater jointness and interoperability across service in both countries and bilaterally between the United States and Japan. This challenges should be at the core of RMC dialogue and must be fully integrated and driven forward by senior leadership in the U.S. Department of Defense and State together with the Ministry of Defense and Foreign Affairs

The Abe Administration developed the 2010 NDPG’s concept to build a “dynamic defense,” a new proactive approach from the previous Basic Defense Capability Concept, and stated that it will build a “Dynamic Joint Defense Force” in the 2014 NDPG. Since then, the administration created a Mid-term plan, and allocated a medium-term funding to complete the construction of the new military capability, such as strengthened ISR capabilities, ballistic missile defense systems, and enhanced defense of the Nansei Island to deal with the “gray zone” scenarios, a

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72 Nye-Armitage report. P.4
73 Franz-Stefan Gady, “Japan Approves Modest Defense Budget Hike.”
74 Richard L. Armitage and Josph S. Nye, “The U.S.-Japan Alliance Getting Asia Right through 2020.”
crisis in between peacetime and contingencies. This led to a military spending hike for five consecutive years to implement the plan.\textsuperscript{75}

These example shows that Japan is not simply “passing the buck,” but has been increasing its role in regional and global security as a \textit{partner} of the U.S. Given that the administration used political capital to make these changes, it is likely that he had enough confidence in the alliance to assume that the alliance would remain as the pillar for the incoming administration’s Asian strategy. This explanation of Japan’s cheap riding combined with Japan’s effort makes the argument that Japan’s pragmatic decision for cheap riding is the cause for the country’s low investment in its military. However, their claim is insufficient to understand the GDP 1\% puzzle because it does not answer why Japan has to ride cheap on the alliance despite its necessity and its effort to increase regional and global security role. Thus, further examination is required to explain what is pushing down this momentum to expand Japan’s military power.

\textbf{MAIN ARGUMENT}

\textit{The Financial Factor: The New and Complex Demographic Pressure}

As described in the historical overview, various financial challenges have constrained Japan’s capability to invest in its defense spending. Nixon’s strategy—the force reduction in the region and the U.S. rapprochement with China—reduced the security demand in the region, but the lack of confidence in the alliance required Japan to build up its own defense. However, the two shocks in the 1970s --the oil crisis the dollar shock—increased the demand for public

spending to stimulate the economy. Thus, Defense Minister Nakasone’s plans for military buildup did not fall through. From the economic standpoint, Japan has suffered from increased public debt and deflation since the burst of the bubble economy in 1990s – the lost decades.

The new fiscal challenges in the 21st century are more structural and complex—the combination of an aging society and depopulation. The Japanese society is aging and is shrinking in size at a rapid pace. According to the national census, Japan’s demography has shrunk almost 1 million in just five years, between 2010 and 2015. According to the National Institute of Population and Social Security Research, the total population is likely to shrink from 127 to 88.1 million by 2065; the work force is likely to plunge about 20% by 2040 and 40% by 2065 from the 2015 level. People aged 65 or older are projected to make up 38.4% of the population in 2065, up from 26.6% as of 2015 The Japanese population is shrinking for the first time, the workforce is projected to plunge, and more people will be categorized as aged.

Existing studies suggest that an aging population could have implications for international security. In his study on global population aging and security, Mark L. Haas argues that countries facing an aging population will need to reduce military spending due to the mushrooming from social and welfare expenditure. Thus, great powers will be less interested in challenging the dominant power, and the security requirements for the U.S. will be greatly reduced overtime—the idea of “geriatric peace.” In his studies, Douglas A. Sylvia observes

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78 Ibid.
similar spending habits in European countries facing an aging population. He further argues that the embracement of international order and the creation of a multilateral security pact are the solution for Europe to make great power politics obsolete as means to maximize their security.

This research suggests that the following are major implications on strategic and military levels: (1) a decline in defense spending; (2) a decline in the absolute number of troops (3) the aging of the military population.

Primary research on the Japanese NDPG and defense papers reveals that the Japanese government, security experts, and officials were already aware of the strategic implications of population decline as early as the beginning of the 21st century. In terms of the size of forces, the 2004 NDPG, for instance, addressed the constraints of Japan’s development of forces as the following:

In developing Japan's defense forces, we have to take into account the fact that while the roles that our defense forces have to play are multiplying, the number of young people in Japan is declining as a result of the low birth rate, and fiscal conditions continue to deteriorate.

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Despite the fact that the SDF’s role expanded to participate in international peace cooperation activities as a response to threats posed by transnational and non-state actors, it simultaneously addressed the limits to the available resources to expand the scope of the forces. The next 2010 NDGP was a landmark one as it changed the security concept to develop a “Dynamic Defense Force that possesses readiness, mobility, flexibility, sustainability, and versatility.” Yet, it also acknowledges that changes are necessary “to adapt to the declining birth rate,” such as to “recruit, cultivate, train, and educate high quality personnel to meet the challenge of the diversification and internationalization of Self-Defense Forces missions.” The Japanese Defense White Paper has addressed that population decline will have difficulties in attracting youth to join their force. For instance, the 2005 white paper observed that the male population eligible to join SDF peaked in 1994, and the pool has since then been shrinking. The 2009 defense paper also states that the size of the pool will shrink about 3 million by 2018.

Besides the lack of human resource for SDF, numbers show that the aging population could limit funds available to develop its defense capabilities. This has two explanations. First is through the declining working age population. According to the projection by the Cabinet Office, the county could fall into negative economic growth starting in the 2040s if the population declines and its current pace and productivity do not improve. It also states that Japan would need to sustain a population of 100 million to keep real economic growth in the 1.5-2%. Second

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84 Ibid.
is through the ever-increasing social welfare spending amid the rapidly aging society. According to the Ministry of Finance, the general expenditure has increased from 77.7 trillion yen to 95.9 trillion yen between 1998 and 2014, primarily due to the rise in social spending. The share of social programs has increased from 19.1 percent to 31.8 percent while that of defense declined from 6.4 percent to 5.1 percent in the same time period.  

Japan’s spending habits on social programs, when compared to that of Europe, is not so different. It is problematic for Japan, however, because it is likely to limit spending on other programs, including defense. According to the fiscal condition report published by the Ministry of Finance in April 2017, Japan’s spending on other programs, were by far lower compared with that of the other welfare nations in Europe. Most importantly, it has been the major cause of Japan’s expanding expenditure and ever mounting debt. In 2015, the amount of debt was more than double of its GDP –248 percent as of GDP. Japan has accumulated a total of 692 trillion yen in debts since 1990, and 399 trillion yen is due to social expenditure. Currently, it relies one third of its expenditure on debt, and the Ministry of Finance projects that the debts will amount to 865 trillion yen by the end of fiscal year 2017, equivalent to 15 years of tax revenue. As a response to Japan’s deteriorating financial condition, international institutions, such as the IMF and OECD have urged the government to tackle these issues. These data and circumstances suggest that the government does not have the capacity to dramatically build up its military force, and would prioritize on economic issues for the near future.

88 MOF publication April 2017 P.13
90 Ibid., 39.
The examination of the Abe administration’s priority shift supports this explanation because financial challenges, deriving from demographic challenges, have pushed back the government’s political ambitions on security. Initially, Abe came into power with his goals to restore Japan’s great power status by reviving its robust economy and expanding its role in regional and global security.\textsuperscript{91} On security, in particular, his ultimate goal was to revise the pacifist clause of Article 9 of the Japanese Constitution, and state the “national defense army’ in it.\textsuperscript{92} After the administration allowed Japan’s right to exercise collective self-defense in 2014, and passed the two security bills in 2015, which became the legal bases for SDF’s expanded role in security, the administration suddenly shifts course to tackle pressing economic issues. To show commitment towards fiscal reconstruction, the administration adopted a plan to turn the primary balance to black by 2020.\textsuperscript{93} In the following September, Abe claimed that Abenomics had entered the second stage and that he will overcome declining birthrate and aging population, which he believes to be the obstacles to economic growth.\textsuperscript{94} His idea was to “create a society with all one hundred million-plus citizens dynamically engaged,” 50 years from then to create a vicious cycle of growth.\textsuperscript{95} To realize his vision, the he pledged to achieve three goals to increase Japan’s GDP to 600 trillion yen, raise the birth rate from 1.4 to 1.8 children per woman, and reduce the number of workers quitting jobs to deal with childcare and nursing care.\textsuperscript{96}

\begin{thebibliography}{99}
\bibitem{91} “Manifesto 2012” (The Liberal Democratic Party of Japan, n.d.).
\bibitem{92} “Draft of Constitutional Revision,” 5.
\bibitem{95} Ibid.
\end{thebibliography}
In October, he set up a new cabinet position, Minister in Charge of Promoting Dynamic Engagement of All Citizen in October, set up a national council to foster debate on how to increase production and revenues by engaging citizens. In July 2016, he approved Japan’s Plan for Dynamic Engagement of All Citizens, which lays out measures, such as enhancing supports for childcare, nursing care, promoting employment of elders, youth, women, and persons with disabilities, and improving working conditions for non-regular workers. It also stressed the need for investments in AI and automation as means to grow Japan’s economy despite the declining number of workforces. Accordingly, the administration passed a supplementary budget of approximately 3.12 trillion yen in 2015, and passed a record-high budget for two consecutive years, 96.7 and 97.5 fiscal yen for fiscal year 2016 and 2017 with an increase in social services amid the fast-aging society. Due to the increase in expenditures, the administration pushed back its goal to make the primary balance black. The Cabinet Office has projected an 8.2 trillion yen deficit by the target year of 2020, even if the economy keeps growing around 2% in real terms. Making these a top priority for the government, it was not until May 2017 that the Prime Minister presented his updated timeline for Constitutional reform.

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98 Ibid.
Thus, the shifting course of Prime Minister Abe’s policy gives the financial factor a large explanatory power with evidence. It demonstrates that financial pressure deriving from demographic challenges could be larger than push backs from anti-militarism norms. Furthermore, the fact that the policy shift came after the U.S.-Japan alliance was at its highpoint could support the view that the confidence in the alliance enabled him to focus on the most pressing economic issues.

**Conclusion**

The finding suggests that the fiscal pressures deriving from demographic challenges are likely to be the primary force for constraining the military spending level despite the deterioration of Japan’s surrounding security environment, the Prime Minister’s willpower to increase Japan’s regional and security role, and the pressure from the new U.S. president that it will dismantle the alliance without Japan’s increase in its financial contributions. As the 2015 census and studies on future trajectory of its population suggest, Japan’s demography is likely to dramatically drop in the next decades, further pressuring Japanese expenditures and military staffing. Because the fiscal pressures derive from the structural issues of demographic change, it is likely that policies on sustaining Japan’s demography and on improving fiscal conditions will dominate Japanese politics.

This paper also suggests that the confidence in the U.S.-Japan Security Alliance is key for Japan to maintain its spending level. The efforts made by both countries to adapt the alliance to meet the security needs in the 21st century have enhanced the deterrence, advanced Japan’s role
to function as a partner, and, above all, eliminated the threat of abandonment of the alliance. At times when the United States pressured Japan and expressed frustration regarding the constitutional and legal constraints that have undermined the bilateral cooperation, the Japanese leaders have responded to these demands by investing its political capital.

Previous studies on Japan’s aversion to military build-up fail to provide a useful framework to understand Japan’s behavior because they attempt to build the argument based on one school of thought. By overlooking the complexity of the Japanese security policy making process that shapes the policy outcome—the competing forces of culture and financial pressures, these theories could only explain a fraction of the seventy years of Japanese post-war history. The constructivism approach of the role of the culture of anti-militarism is effective to explain Japan’s policy until the early 1990s. However, it fails to explain Japan’s effort to increase its regional and international security role in the 1990s and onward. Realism’s approach has strong explanatory power from the 1990s to the 2000s. However, it fails to explain the expanding regional and international security role of in the 21st century, despite the adherence to the informal 1% constraint. By accepting the co-existence of these forces, formulating a framework, and testing the strength of these forces in the respective time periods, the framework enables us to examine how the primary forces affecting Japan’s military spending has shifted and transformed over time.

The findings of this research have theoretical and practical implications. For international relations theory, it suggests that a country’s security policy making cannot be explained through a single school of thought as described above. Second, the paper provides new research areas around the relationships between population and a country’s external behavior. Current research
is focused on European countries, which are experiencing population decline and high social spending, and its implication for multilateral security framework. However, these scholars have not yet researched how countries facing population decline will behave to enhance its security in a deteriorating security environment.

This further provides policy implications for both U.S. and Japanese policymakers. For the U.S. policymakers, it suggests that pressuring Japan for increased contribution or threatening Japan over the survival of the alliance is ineffective to enhance deterrence against the rapidly developing insecurity in the region. Because the Japanese population will continue to shrink over the next decades, and social spending will likely to increase to deal with demographic challenges, the country is incapable of taking on a larger role in the alliance that requires dramatic increases in the number of JSDF personnel and financial contributions. For the Japanese policymakers, it cautions that pledging policies to expand Japan’s role in regional and global security is risky when it is made without the assessment on whether the country has the capacity to fulfill the commitment. Promises that cannot be followed through on will only raise expectations by its ally, and will rather damage the bilateral ties when they are not fulfilled.

The paper also has room for further research from a strategic perspective to identify which factors, the security provided by the U.S. or the financial pressure, are constraining the defense spending. As this paper uses the military spending of 1% of GDP as a measurement for Japan’s intention to spend on its military development, the paper does not conduct a comprehensive assessment of the military power.

European countries, which are also facing population decline and high expenditure in programs, adopted a multilateral pact as a means to enhance regional security. Asia’s security
systems are different. Networks of bilateral security alliances created by the U.S. in the Cold War remain today, and previous administrations have used these as the critical means to maintain peace and security in the region. The questions, then, for U.S. policymakers should include—how can we maintain security using these alliances? Is this hub and spoke system still effective in responding to the rapidly changing security environment today? Should we think about ways to better link these alliances or to take a more multilateral approach? If so, how?
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