

# Japan's Self-Imposed One Percent

## Does It Really Matter?

LT COL JOHN WRIGHT, USAF



Do defense budgets matter? The cynic in all of us says “no.” After all, there is widespread agreement that many nations’ defense budget reports, most prominently the People’s Republic of China,<sup>1</sup> are either fraudulent or not even close to the real number. The economists among us, though, know defense budgets matter, and plenty of historical evidence and experience shows each and every state is forever tied to the eternal balancing act between guns and butter. Many states have tried different economic contortions to find that right gun-and-butter balance, and perhaps squeeze out a few more guns in the process, but one particular state, Japan, has chosen one of the more peculiar methods out there. This of course is Japan’s policy—not legal—decision to self-restrict its own defense budget to approximately one percent of gross domestic product (GDP). While interesting and an historical curiosity, this policy has run its course, and its end is nigh.

## A Quick Rundown

Japan's decision to restrict defense spending to one percent of its GDP began back in 1958, when a Japan still reeling from its wartime economic privations developed a defense policy called *senshu boei*, or "defense-only defense." This term is essentially a euphemism for minimizing defense spending by elbowing-out any weapon, platform, military culture, or program that could appear expeditionary or aggressive, all of which happen to be the most expensive ones as well (aircraft carriers and special operations, for example). The protection Japan received via its 1960 security treaty with the United States provided enough relief from domestic military needs to allow the Japanese government to focus on much-needed domestic economic revitalization. Japanese leaders had been making these priorities clear as early as Yoshida Shigeru, Japan's first postwar prime minister, who understood US protection would provide the umbrella needed for his country to recover. Yoshida's and subsequent administrations' various declarations, laws, and policies prioritizing domestic economic revitalization over military spending came to be known as the Yoshida doctrine, which as time went by became enshrined into untouchable national policy.

But world events continued apace, and pressures mounted, including US insistence Tokyo put more effort into beefing up Japan's own defense, and the "Nixon Shock" of 1972 that saw the US formally open relations with China, a move that was completely unexpected for a barely-consulted Japan. The one-percent policy came into being as a protective measure to insulate Japan from these outside issues and keep the Yoshida doctrine on life support. The policy became reality when noted dove Prime Minister Takeo Miki said the following during a minister-level defense meeting in 1976: "At this opportunity we have for establishing our defense end-strength, for the meantime we make it our goal that 1 percent of the GDP shall be a suitable amount not to allow defense expenditures to exceed each fiscal year." Prime Minister Miki's hard-nosed Defense Agency Director-General, Michita Sakata, had through months of resistance succeeded in adding the phrase "for the meantime" to Miki's proclamation, but the prime minister had spoken, and policy was set. While there is much more to the story,<sup>2</sup> suffice to say the policy has since become custom, which has become habit, which then became, in the Japanese fashion, a practice approaching untouchable holiness.

## Cracks in the Wall

The policy remained inviolate until Prime Minister Yasuhiro Nakasone passed a military budget that constituted 1.004 percent of GDP in 1987. His move, though bold for its time, was hardly a watershed; until 2015, Japan's defense bud-

get again broke the 1.0-percent barrier only twice: once in fiscal year 1988 at 1.013 percent and once more in fiscal year 1989 at 1.006 percent. Depending on how the GDP calculations are made, these years could actually amount to less than 1.0 percent of GDP.

In 2015, Japan got serious about defense spending—but only by Japanese standards. The same year Japan's new National Security Legislation<sup>3</sup> came into effect, which in all fair analysis did provide a great deal more flexibility for the Japanese defense apparatus. This was accompanied by passing an until-then record-high defense spending bill amounting to 5.05 trillion yen, or about 1 to 2.5 percent of GDP, depending on one's method of calculation.

Since 2015, there have been only three major announcements regarding the one-percent policy, but all have been significant in foretelling its impending demise. The first was in 2017, when then-Prime Minister Shinzo Abe announced to the Diet that Japan was no longer restricted by the one percent limitation.<sup>4</sup> Then, in May of 2021, Defense Minister Nobuo Kishi announced Japan no longer determines its defense budget with reference to its GDP, citing a need to “increase our defense capabilities at a radically different pace than in the past.”<sup>5</sup> Unfortunately, Kishi's announcement, while bold, was lost in the shuffle leading up to the heavily COVID-influenced Tokyo Olympics, which had already been delayed a year. Finally, shortly thereafter, in August 2021, then-Prime Minister Yoshihide Suga affirmed Japan is not bound by its longtime one-percent spending cap.<sup>6</sup>

Interesting talk, but budgets speak louder. Despite eight consecutive years of record-high defense budgets, data indicates Japan in recent years has yet to breach its one-percent limit in practice, aside from the above exceptions.<sup>7</sup> A steadily increasing overall GDP in terms of constant dollars helps explain this, even with an overall drop in GDP in 2020.<sup>8</sup> This latter hiccup, in fact, led to a tiny defense spending bump of +0.6 percent of GDP, up from 0.94 percent the year prior, making the total defense spending in 2020 exactly one percent of GDP.

As time marches on, the policy will get tougher to maintain. The rough-and-getting-rougher security situation in East Asia raises the obvious and constant question of how much defense is necessary, and the fall of the Soviet Union in 1991 paradoxically removed Japan's best safety net to prevent increasing its defense budgets. With no central and proximate threat for the United States to point its weapons toward, Tokyo could no longer turn up its hands and depend on its ally for funding most of Japan's national defense. As Washington turned its attention toward the Middle East in the late 1990s and 2000s, pressure on Japan to care more for its own defense as the campaigns and Afghanistan and Iraq drew more US attention and wealth only grew. The multifaceted threat posed by China is not the same as the Soviet Union; its proximity to Japan means Tokyo's rela-

tionship with China is important for business and trade, and US policy favoring regional alliances and partnerships while still maintaining trade ties with China means Japan cannot depend on the Chinese dragon filling the same role vis-à-vis defense spending that the Soviet bear once did.

Nevertheless, posture also seems to be matching government proclamations. In recent years, following decisions undertaken during the long-lasting second Abe administration, Japan made serious efforts to take a more realistic security stance, especially in the *Nansei Shoto*, or Southwest Island chains. Japan has been steadily stationing forces and surveillance equipment on several different islands south and west of Okinawa, including Yonaguni in 2016, Amami-Oshima and Miyakojima in 2019, and Ishigaki in 2020. Japan also established an Amphibious Rapid Deployment Brigade in April 2018; the astute reader will note that the rather-ponderous name is simply a fancy word for “marines.”

### **Geopolitics Drives Defense Policy—and Japan’s Is Not Great**

Beyond the pressure on the one-percent policy caused by its security situation, Japan’s geopolitical strategic situation is another nail in the one-percent policy’s coffin. An archipelago on the far-eastern edge of the Far East, Japan’s neighbors are neither numerous nor especially friendly. Russia lies to the north, still technically at war with Japan as no post-World War II treaty has been signed. China sits to the northwest, hostile Koreas lie in its backyard, and the Philippines, Indonesia, Malaysia, Thailand, Singapore, and many others to the distant south and west. These latter examples tend to be friendlier than the rest but can barely be called neighbors; a solid 800 or so nautical miles of Pacific Ocean separate south Okinawa from the Philippines, with the others even further away. While some of these states may be eager for business and defense opportunities with Japan, the sheer distances and differences between those states and Japan make defense-based political cooperation difficult if not in a crisis.

That leaves only one neighbor as a potential ally: the United States. Since the end of World War II, both the United States and Japan have shared the same national security interests, which keeps the bond strong. While the United States and Japan share many of the same values now, it was not always so, and though democracy and the idea of individual freedoms remain relatively new imports to Japan, they seem to have taken root, which only deepens the bilateral pact. The Americans are also always keen to pressure Japan into increasing defense spending, a practice often called *gaiatsu* or “foreign pressure.” While the relationship is not perfect, it is extremely strong, and Japan is right to craft its defense policy around US support. The US military bases located in Japan are exceptionally use-

ful for Japanese security, though critics will claim they are more targets for foreign missiles than bastions against invasion.

While this is a tough geopolitical situation, things are not all bad. Japan has found ways to reach around its geographic limitations, as nearly as a state can, anyway. Japan's best soft-power tool, its culture, has been and is still a force of nature; it permeates the East and South Asian regions and entices legions of young people, history buffs, and cultural specialists to visit and potentially study in Japan, and many-a youth's first exposure to cartoons and printed graphic media have Japanese influences or roots. Japan's economy is still strong and holding steady at third-largest in the world, and despite its general difficulty in working with foreigners, foreign economic opportunities still abound.

### **Terminal Decline**

Given what Prime Minister Abe, Defense Minister Miki, and Prime Minister Suga all said about the one-percent policy, some readers are inclined to say the policy is already dead. However, defense budgetary decisions say otherwise, and nearly 50 years of Japanese defense budgetary custom does not turn on a dime.

One notable factor keeping the one-percent policy on life support is Japan's defense procurement practices. Defense procurement in Japan still favors Cold War models, preferring platform-based weapon purchases to solve defense problems, five-year defense spending plans, and internal organizational stovepipes that doom the military services to continual budgetary competition. To make matters tougher, Japan's most recent *National Security Strategy* dates from 2013 (and is its first one ever),<sup>9</sup> and the *National Defense Program Guidelines*, which lay out Japan's key program goals and generally preferred defense concerns, from 2018.<sup>10</sup> Updates are sorely needed to spend effectively, especially if the *National Defense Program Guidelines* are the documents that ostensibly determine where money gets spent. A decision to spend some 100 Billion Yen (appx. \$900M) in fiscal year 2022 on purchasing F-35s is a sign that Japan is not completely shackled to these program guidelines and that defense spending discussions in the government are clearly ongoing.<sup>11</sup>

Tokyo is making other efforts to move on. Japan established the Acquisitions, Technology, and Logistics Agency (ATLA) in 2015 to help better drive the country's defense acquisition strategy rather than leaving it all up to each individual military service, but their task is as daunting as it is unfair. The internal stovepipes between the services will take at least a generation to break down once begun, and pressures from other outside agencies with more clout—the Cabinet Office and the 2013-established National Security Council, for instance—will keep ATLA's bureaucrats busy fighting for influence for some time.

Come what may, money remains tight. While Japan remains the world's third-largest economy by GDP for now, it also owns the world's largest foreign debt in relation to GDP, estimated in 2021 to be more than 230 percent of GDP. Japan also faces stout demographic concerns, with nearly 30 percent of its entire population considered elderly, and families deciding to have less children. Japan's negative fertility rate has been making headlines for years and shows no signs of reversing.<sup>12</sup> The general populace also prefers a high degree of government assistance, greatly favoring government programs like the National Pension System and heavily-subsidized national health care. The pressure to keep spending on these domestic programs and on family-assistance programs to reverse the negative fertility trend will remain immense.

## Conclusion

While much news is made when Tokyo makes proclamations about Japan's one-percent defense policy limit, in truth the policy already has one foot out the door. This is due to the security realities affecting Japan: try as a country might, there is no force on Earth that allows any nation to escape its geostrategic situation. The condition of Japan's one-percent policy is simply the predicted results of a country trying to wrestle with forces beyond its control, namely, the rapidly changing—not deteriorating—security situation in the Indo-Pacific. Like a decayed relic at an archeological site, Japan's one-percent policy lacks only a good shove or a strong wind to see it crumble into dust. While other national problems certainly remain acute, the overwhelming imperative to enhance Japan's security will inevitably take hold and crack open its Cold War budgeting practices. ♣

### Lt Col John Wright, USAF

Lieutenant Colonel Wright is a US Air Force officer and a Mike and Maureen Mansfield Fellow. He is a Foreign Area Officer who specializes in the INDOPACOM theater and author of the book *Deep Space Warfare: Military Strategy Beyond Orbit*. The views expressed in this article are solely those of the author and not necessarily those of the US Air Force, US government, Mansfield Foundation, or any other government or government entity.

### Disclaimer

The views and opinions expressed or implied in *JIPA* are those of the authors and should not be construed as carrying the official sanction of the Department of Defense, Department of the Air Force, Air Education and Training Command, Air University, or other agencies or departments of the US government or their international equivalents.

## Notes

1. "Mystery Shrouds Chinese Defense Spending," *USNI News* (blog), 26 October 2021, <https://news.usni.org/>.
2. John Wright, "The Persistent Power of 1 Percent," *Sasakawa USA* (blog), 22 September 2016, <https://spfusa.org/>.
3. "Cabinet Decision on Development of Seamless Security Legislation to Ensure Japan's Survival and Protect Its People July 1, 2014," n.d., <https://www.cas.go.jp/>.
4. John Wright, "Abe Scraps Japan's 1 Percent GDP Defense Spending Cap," *The Diplomat*, 29 March 2017, <https://thediplomat.com/>.
5. Junnosuke Kobara, "Japan to Scrap 1% GDP Cap on Defense Spending: Minister Kishi," *Nikkei Asia*, 20 May 2021, <https://asia.nikkei.com/>.
6. Miki Nose, "Japan Defense Spending Isn't Bound by 1% GDP Cap, Suga Says," *Nikkei Asia*, 13 August 2021, <https://asia.nikkei.com/>.
7. Aaron O'Neill, "Japan - Ratio of Military Expenditure to Gross Domestic Product (GDP) 2010-2020," *Statista*, 19 January 2022, <https://www.statista.com/>.
8. World Bank, "GDP (Constant 2015 US\$) - Japan | Data," 28 May 2022, <https://data.worldbank.org/>.
9. "Japan Ministry of Defense," Japan Ministry of Defense, 28 May 2022, <https://www.mod.go.jp/>.
10. "NATIONAL DEFENSE PROGRAM GUIDELINES for FY 2019 and beyond December 18, 2018," n.d., <https://www.cas.go.jp/>.
11. Congressional Research Service, "F-35 Joint Strike Fighter (JSF) Program," *CRS Report*, 2 May 2022, <https://sgp.fas.org/>.
12. Alana Semuels, "The Mystery of Why Japanese People Are Having So Few Babies," *The Atlantic*, 20 July 2017, <https://www.theatlantic.com/>.