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To the Graduate Council:

I am submitting herewith a dissertation written by Jong-Sup Lee entitled "Free-riding or barganing? : the case of the U.S.-South Korean alliance." I have examined the final electronic copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy, with a major in Political Science.

Robert Peterson, Major Professor

We have read this dissertation and recommend its acceptance:

Yen-Ping Hao, Jeffery Berejikian, Anthony J. Nownes, Yang Zhong

Accepted for the Council:

Carolyn R. Hodges

Vice Provost and Dean of the Graduate School

(Original signatures are on file with official student records.)

To the Graduate Council:

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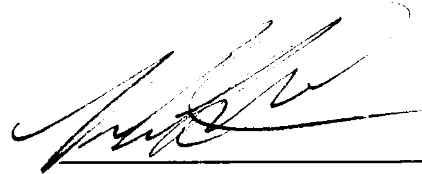

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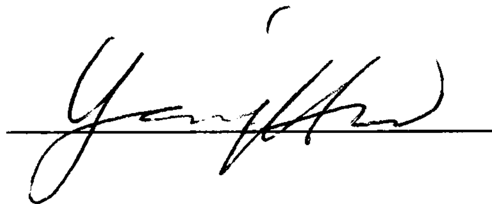

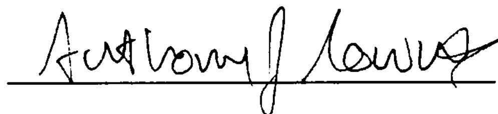

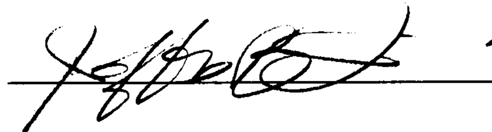

Accepted for the Council:

Associate Vice Chancellor and
Dean of The Graduate School

FREE-RIDING OR BARGAINING?
THE CASE OF THE U.S. - SOUTH KOREAN ALLIANCE

A Dissertation
Presented for the
Doctor of Philosophy
Degree
The University of Tennessee, Knoxville

Jong-Sup Lee
May 1999

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DEDICATION

This dissertation is dedicated to those who
prayed for my daughter's (Ji-Hyoung) recovery from
liver transplant surgery performed during my studies abroad.

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There are many people to whom I am grateful for making my study so fruitful. Special appreciation first goes to the members of my dissertation committee. Professor Robert Peterson, my major advisor, has guided and helped me in numerous ways since I began the Ph.D. program at UTK. I would like to express my deepest appreciation to him for his guidance and patience in reading my dissertation and other studies. I am also grateful to the other committee members, Dr. Anthony Nownes, Dr. Jeffrey Berejikian, Dr. Yang Zhong, and Dr. Yen-Ping Hao, for their comments and assistance. Their generous support and invaluable comments were indispensable to the completion of this dissertation.

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Abstract

This study addresses the question of how the relevant model of the economic theory of alliances accounts for South Korea's defense burden-sharing in the alliance for three decades. To answer this question, this study first, in the broad and theoretical context, attempts to critically explore the two existing models (the free-riding and bargaining models) of the economic theory of alliances, and then to suggest that the relaxed bargaining model may provide a better tool for understanding the defense burden-sharing relationship between allies. In the narrow and empirical context, this study attempts to apply the relaxed bargaining model to the U.S-South Korean alliance to account for South Korea's defense burden-sharing pattern over a period of nearly thirty years (1961-1988). Empirical examinations of four cases are conducted based on the thick concept of "win-sets" which is the core of two-level games, and on four (five for the last case) sets of contextual factors at both the state and domestic levels such as threat, economic conditions, interests, political and public support, and bureaucratic politics.

The major arguments are: (1) South Korea's pattern on defense burden (disproportionately less contribution) during 1961-1968 is characterized as latent bargaining rather than free-riding because South Korea did not commit defection or exploitation which is the key attribute of free-riding; (2) The Nixon Doctrine is characterized as tacit bargaining since it was a process that relied on actions intended (partly) to influence South Korea's policy changes on defense burden but whose goal was

not to reach an agreement; (3) The agreement reached in 1979, which set South Korea's defense burden at 6% of the GNP, and the agreement reached in 1988, which requested that South Korea share costs for stationing U.S. forces in South Korea, are characterized as explicit bargaining because they were made through formal and diplomatic negotiation. They were affected by South Korea's critical security interest and improved economic capability, and by U.S. domestic constraints such as the high level of budget deficit, public opposition, and congressional activities; (4) As a whole, the relaxed bargaining model which includes three types of bargaining (latent, tacit, and explicit bargaining) is a better one for understanding South Korea's defense burden-sharing over thirty years. This study also notes that the nature of bargaining has changed as the context has changed.

Although this study is not meant to offer an overarching generalization on the defense burden-sharing issue, it has theoretical and empirical implications. The obvious implication of this study is to suggest that the logic of free-riding does not have enough explanatory power for the defense burden-sharing in alliances, nor enough persuasive power to impact on the intra-alliance bargaining processes. Instead, policy-makers or negotiators must understand the nature of bargaining concerning this issue and utilize the thick concept of win-sets which are structured by facilitating factors and constraining factors.

TABLE OF CONTENTS

CHAPTER

1.

INTRODUCTION..........1

The Evolution of the United States-South Korean Alliance..........2

The Defense Burden-Sharing Debate in Practice and the Measurement of Defense Burden..........8

The Defense Burden-Sharing Debate in Theory: The Economic Theory of Alliances..........13

"Free-Riding" in Alliances..........14

"Bargaining" in Alliances..........15

Discussions and Research Questions..........17

Some Thoughts on Existing Models..........17

Analytical Framework and Variables..........23

Organization of the Study..........26

2. ALLIANCE AS COLLECTIVE ACTION..........29

Pure Public Good model and Joint-Product Model..........30

Pure Public good Model..........30

The Nature of National Defense and the Joint-Product Model..........32

Two Aspects of Cooperation in Alliances..........40

Coercive cooperation..........41

Voluntary cooperation..........42

Typology of Incentives..........45

Entanglements of Domestic and State Level Factors..........49

Undermining the Concept of "Free-Riding"..........53

Relaxing the Bargaining Model..........61

3. ANALYTICAL FRAMEWORK..........69

Two-Level Games: Win-Sets..........69

Variables and Contextual Factors..........75

Dependent and Intervening Variables: Defense Burden..........75

Contextual Factors..........76

Threat..........77

Economic Conditions..........82

Political and Public Support (U.S.)..........86

Interests..........90

Bureaucratic Politics (South Korea)..........97

Empirical Cases..........102

4. LATENT AND TACIT BARGAINING.............105
Latent Bargaining (Easy-Riding): 1961-1968.............106
General Background.............106
Analysis of Contextual Factors.............108
Threat.............108
Economic Conditions.............115
Political and Public Support (U.S.).............116
Interests.............125
Overall Evaluation.............131
Tacit Bargaining (Nixon Doctrine): 1969.............134
General Background.............134
Analysis of Contextual Factors.............139
Threat.............139
Economic Conditions.............139
Political and Public Support (U.S.).............140
Interests.............143
Overall Evaluation.............147

5. EXPLICIT BARGAINING.............151
Bargaining on 6% of the GNP: 1979.............151
General Background.............151
Analysis of Contextual Factors.............154
Threat.............154
Economic Conditions.............161
Political and Public Support (U.S.).............162
Interests.............166
Overall Evaluation.............170

Bargaining on Stationing Cost-Sharing in 1988 SCM.............173
General Background.............173
Analysis of Contextual Factors.............176
Threat.............176
Economic Conditions.............186
Political and Public Support (U.S.).............188
Interests.............192
Bureaucratic Politics (South Korea).............196
Overall Evaluation.............199

6. SUMMARY AND CONCLUSIONS....204
Theoretical Arguments....205
Empirical Findings....211
Case I: Latent Bargaining---Easy-Riding (1961-1968)....211
Case II: Tacit Bargaining---Nixon Doctrine (1969)....214
Case III: Explicit Bargaining---6% of the GNP (1979)....216
Case IV: Explicit Bargaining---Cost-Sharing (1988 SCM)....217
Implications....220

REFERENCES....225

APPENDICES
Appendix A: Abstracts of Congressional Legislative Activities on Defense Burden-Sharing: 1960s-1987....250
Appendix B: The GNP, per capita GNP, and Budget Deficit for the U.S. and South Korea (current dollars): 1961-1988....256

VITA....258

LIST OF TABLES

TABLE

1-1. Defense Burdens (%) of South Korea, 1961-1990....................................6

2-1. Comparison of Latent, Tacit and Explicit Bargaining in the Alliance Context....................................68

3-1. Variables and Contextual Factors....................................100

4-1. Percentage Share of U.S. Military Aid in South Korea's Total Military Expenditures: 1961-1968....................................107

4-2. Defense Burdens of South Korea and U.S: 1963-1968....................................108

4-3. Absolute and Relative Military Expenditures: 1963-1968....................................110

4-4. Comparison of the Military Capabilities of South and North Korea, 1965.......112

4-5. Summary of Infiltration: 1965-1967....................................114

4-6. Selected Economic Indicators: Respective Budget Deficits, GNP Shares, Relative per capita GNPs, and Prosperity Indices: 1961-1988....................................117

4-7. Congressional Legislative Activities on Defense Burden-Sharing: 1960s-1987....................................118

4-8. Appropriations for Defense Spending: Fiscal Years 1962-1989....................................121

4-9. The U.S. Role in World Affairs: 1956-1988....................................123

4-10. Public Opinion on Defense Spending:1965-1987....................................124

4-11. South Korea's Trade Balance and Assistance from the U.S: 1961-1988..........130

4-12. Percentage Share of U.S. Military Aid in South Korea's Total Military Expenditures: 1969-1978....................................137

4-13. Defense Burdens of South Korea and U.S.: 1969-1978....................................138

4-14. Public Opinion on the Vietnam War: 1965-1973....................................143

5-1. Defense Burden of South Korea and the U.S.: 1979-1986..........................153

5-2. Relative Military Expenditures: 1974-1980..156

5-3. Comparison of Military Capabilities of South and North Korea, 1978............158

5-4. Comparison of Defense Burdens: South Korea, Japan and NATO Allies, 1981-1988..175

5-5. ROK Sharing of U.S. Forces Stationing Costs: Agreed to at the SCM, 1989-1994..176

5-6. Relative Military Expenditures: 1985-1990..179

5-7. Comparison of Military Capabilities of South and North Korea, 1987............181

6-1. Effects of Contextual Factors..212

LIST OF FIGURES

FIGURE

2-1. Taxonomy for Defense Weapons.........37

2-2. General Prisoner's Dilemma and Asymmetric Prisoner's Dilemma.........56

2-3. Asymmetric Prisoner's Dilemma.........65

3-1. The Shift of Win-Sets on Defense Burden for Ally A.........73

3-2. Multidimensional Interactions of Domestic and State Level Factors for the Defense Burden of South Korea: Some Hypotheses.........101

4-1. Win-Sets on the Defense Burden of South Korea.........133

4-2. The Changes of Win-Sets on the Defense Burden of South Korea, 1969.........150

5-1. The Changes of Win-Sets on the Defense Burden of South Korea, 1979.........172

5-2. The Changes of Win-Sets on the Defense Burden of South Korea, 1988.........202

CHAPTER 1

INTRODUCTION

Alliances have been a dominant issue in the international relations field for the last decade. An alliance is a form of cooperative relationship between countries and is a formal agreement or association between said countries to cooperate to provide security against common adversaries.[1] One of the most pressing concerns within alliances is how defense burdens are to be shared. Accordingly, questions of economic responsibility have been one of the most dominant issues in terms of both practice and theory, leading to the development of what is termed the "economic theory of alliances." In general, the two contending theories have arisen as models of this particular form of international relationship on defense burden-sharing. One, the "free-riding" model, argues that the larger country in an alliance bears a larger share of the defense burden than the smaller country.[2] The other, termed the "bargaining" model, suggests that the defense burden of the smaller ally moves in tandem

[1] For a definition of an alliance, see Holsti, Hopmann and Sullivan (1973). Osgood (1968) and Walt (1987) suggest broader definition that includes informal arrangements for security cooperation. For more explanation of the definition, formation, values, and management of an alliance, see Liska (1962), Fedder (1968), Osgood (1968), Walt (1987), Snyder (1984 and 1991), and Stein (1990: Ch.6).

[2] Relevant literature of this model consists of Olson and Zeckhauser (1968), Russett (1970), Starr (1974), Murdoch and Sandler (1982 and 1986), Thies (1987), Hansen, Murdoch, and Sandler (1990).

with that of the larger ally.[3] In spite of the large number of theoretical and practical studies of this issue, many questions surrounding it remain unanswered. The purpose of this study is two-fold. In the broad and theoretical context, this study attempts to critically explore the two contending theories, and to suggest that the relaxed bargaining model allows a better understanding of the defense burden-sharing relationships between allies. In the narrow and empirical context, this study attempts to apply the relaxed bargaining model to the U.S.-South Korean alliance to explain South Korea's defense burden-sharing pattern. A discussion of the economic theory of alliances will follow a brief summary of how the alliance between the U.S. and South Korea in general and the defense burden-sharing relationship in specific between the two countries have evolved over thirty years.

The Evolution of the United States-South Korean Alliance

The alliance between the U.S. and South Korea is a typical example of a cooperative relationship between the two countries. For over forty years the U.S. and South Korea have been in alliance, and the U.S. military presence in South Korea has profoundly deterred threats and increased stability in the Korean peninsula. The security cooperation system between the U.S. and South Korea is primarily based on the ROK (Republic of Korea)-U.S.

---

[3] Following references are relevant literature of this model: Reisinger (1983), Oneal (1990a and 1990b), Palmer (1990a, 1990b, and 1991), Papayoanou (1997).

Mutual Defense Treaty signed in 1953, the Status of Forces Agreement (SOFA) signed in 1966, and the Wartime Host Nation Support (WHNS) program signed at the 23rd Security Council Meeting (SCM) in 1991. Major security issues between the two countries are discussed, adjusted, and resolved in the annual ROK-U.S. SCM. The practical operation of the combined defense system is implemented through the ROK-U.S. Combined Forces Command (CFC) (ROK, *Defense White Paper, 1994-1995*).

However, as the international system and domestic context have changed, the nature and function of the alliance between the two countries have also changed. We can track the evolving pattern of the alliance by examining three factors: the levels of U.S. military aid and numbers of U.S. troops in South Korea, the structure of U.S.-ROK Combined Forces Command (CFC), and the defense burden-sharing relationship.

First, the level of U.S. military aid to South Korea is an important indicator of the degree of South Korea's dependence and of the evolution of the U.S.-South Korean alliance. In the 1950s and 1960s, South Korea's defense expenditures, which are the most important element of national defense capability, largely depended on U.S. military aid. The percentage share of U.S. military aid in South Korea's total military expenditures in 1961 was 99%.[4] However, that share began to steadily decrease until it finally reached zero in 1978. Thus,

[4]Percentage share of U.S. military aid in South Korea's total military expenditures.

Year	1961	1963	1965	1967	1969	1971	1973	1975	1977	1978
%	99.0	91.0	82.1	77.0	46.5	49.7	27.6	8.6	0.3	0.0

Sources: adapted from Young-Sun Ha, "Analysis of South Korean Military Expenditures: Past, Present, and Future," *Journal of International Studies* 7 (1982): 289-306.

in terms of military expenditure, the most important element of defense capability, South Korea has attained a higher degree of self-reliance.

In addition, the shrinking U.S. troop presence in South Korea indicates the evolution of the alliance. After the Korean War, the number of U.S. troops was reduced to sixty thousand.[5] In 1971 about twenty thousand US troops left South Korea due to the President Richard Nixon's withdrawal plan. As a whole, the number of U.S. troops in South Korea has decreased during the last forty years, although there was a slight increase during the 1980s with President Ronald Reagan's emphasis on security assistance to friendly countries.[6]

The structure of the U.S.-ROK CFC is another indicator of the evolution of the U.S.-South Korean alliance. The changes in the structure of the CFC reflect changes in the structure of the alliance because the CFC is its most distinct institution. During the 1960s and 1970s, a U.S. General with staff provided operational control over both U.S. and South Korean forces. In November 1978, the U.S. and South Korea agreed to establish the CFC at the 10th Annual US-ROK Security Consultative Meeting (SCM). The central role of the CFC was to deter war on the Korean peninsula. At its foundation, the US-ROK CFC consisted of an equal number of staff members from the US and South Korea. The

[5]During the Korean War, the level of U.S. troops reached a peak of about 360,000 personnel.
[6]The approximate number of U.S. troops in South Korea (years are shown when there is a major change in numbers).

Year	1953	1968	1972	1976	1984	1988	1989	1990	1992	1993
In thousands	63	67	41	39	41	46	44	41	36	35

Source: Secretary of Defense, US, *Annual Report to the President and the Congress*, 1982 and 1995, Appendix C.

Commander-in-Chief (CINC) was a U.S. General, whose staff was composed of equal numbers from each country and whose deputy was a Korean General. At the 17th SCM in 1985, South Korea asked the U.S. to adapt the CFC system to better accord with a more self-reliant Korea to allow for a Koreanization of Korean defense. In March 1991, the position of Chief Representative of the Military Armistice Commission was taken by a Korean general. The key Demilitarized Zone (DMZ) area formerly controlled by the U.S. 2nd Division was taken over by the Korean Army in October 1991. In December 1992, the Ground Component Command (GCC) was taken over by a Korean general. On December 1, 1994, the right to command peace-time operations was transferred back to the ROK chain of command.[7] As a whole, these changes signal that the CFC evolved from an organization highly dependent on the U.S. to one with a degree of autonomy from it.

Lastly, the increased importance placed on the defense burden-sharing relationship between the two countries points to an evolution of the U.S.-South Korean alliance. Historically, South Korea's defense spending has been affected by and changed in concert with that of the U.S. Traditionally, US military aid has allowed South Korea to maintain a relatively low defense burden. However, pressure by the U.S. (e.g., the Carter Administration's pressure for South Korea to increase its defense expenditures to 6% of GNP) has forced South Korea to increase its defense spending. During the 1960s, as Table 1-1 shows, South Korea's defense burden was less than 4.1%. Although there was a high

[7]For more information about these arrangements, see *Defense White Paper 1994-1995*, published by the Ministry of National Defense, the Republic of Korea.

level threat from North Korea, South Korea shouldered only 4% of the defense burden due to U.S. military aid. From 1963-1968, US military aid to South Korea, including direct and indirect assistance, was more than the South Korean defense budget (Ha, 1982).

During the 1970s, South Korea's defense burdens increased, reaching a high of 5.9% in 1978. This change reflects South Korea's voluntary compliance with altered U.S. assistance policy goals in South Korea. In the late 1960s, the United States altered its strategy toward East Asia in general and South Korea in particular. Specifically, the Nixon Doctrine and the Vietnam War changed U.S. security assistance policy. In addition, the security assistance policy of the 1960s lost the support of Congress and the public in the 1970s. President Carter's foreign policy, in general, and his U.S. troop withdrawal plan, in particular, affected South Korean defense policy (even though his original plan was

Table 1-1
Defense Burdens (%) of South Korea, 1961-1990

Year	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
%	4.1	3.6	3.7	3.9	3.9	4.1	4.1	4.0	4.5	4.7
Year	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
%	3.9	4.3	4.6	5.6	5.6	5.9	5.2	6.1	6.2	6.1
Year	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
%	5.5	5.1	5.1	4.8	4.4	4.2	4.3	4.3	3.8	3.7

Source: U.S. Arms Control and Disarmament Agency, *The World Military Expenditures and Arms Transfers*, various years.

abandoned). In response to these changes, South Korea voluntarily and inevitably increased its defense burden to enhance its self-reliance defense capability by allocating more of its budget to defense.

In the 1980s and 1990s, as Table 1-1 shows, South Korea's defense burden changed dramatically. Since the early 1980s, when the defense burden reached over 6% of GNP, it has decreased continuously, paralleling a similar trend in the U.S. This high level of defense burden was triggered by South Korea's agreement, signed in June 1979 and effective from 1980, to raise its defense burden to 6% of GNP in return for the cancellation of Carter's U.S. troop withdrawal plan. Reagan Administration officials continued to pressure South Korea to sustain this level, while the Reagan Administration simultaneously reaffirmed its firm commitment to the security of South Korea (Hyun, 1990). In the 1990s, the cost-sharing that directly influenced the defense burden was discussed at the annual Security Consultative Meeting (SCM). However, the overall trend since 1983 shows a continuous decrease like that of the US.

How do we explain the dramatic changes in South Korea's defense burden over these three decades? How could South Korea maintain its burden as less than 4% during the 1960s? Why did South Korea increase its defense burden to over 6% in the early 1980s? How could South Korea decrease defense expenditures despite U.S. pressure to increase? These questions, all of which are related to the economic theory of alliances (the defense burden-sharing relationship between the U.S. and South Korea), are the focus of this study

and the basis for the research question introduced later.

The Defense Burden-Sharing[8] Debate in Practice and the Measurement of the Defense Burden

Cooperation among allies can be partly understood in terms of defense burden-sharing. Defense burden-sharing has been a much debated issue in alliance management since the early 1960s. This issue has been mainly raised by the United States and used to force its allies to increase their defense expenditures. The U.S. attempted to increase allies' defense burdens in order to reduce its defense spending without major changes in roles and missions. The U.S. executive branch utilizes Congressional pressure to request allies to increase their defense burdens (Cordesman, 1990). For example, The Mansfield Amendments (1966-1974), which were intended to reduce the number of U.S. forces in Europe and to increase European contributions, produced a great debate in the U.S. Senate.

[8] Defense spending or defense burden has implications for the study of foreign policy and international relations for several reasons as Palmer points out (1990b: 191) First, most studies on the arms race are based on the adversaries' defense spending. Second, a state's defense effort is indicated by defense burden (the ratio of defense spending to its GNP). Finally, defense spending is an outcome of a state's foreign policy. The defense burden-sharing relationship in alliances is one of many factors including economic capability, arms race (threat), and bureaucratic politics which impact on the level of military expenditures. For more information about the determinants of military expenditures, see Richardson, 1960; Chatterjee, 1974; Starr, 1974; O'Leary & Coplin, 1975; Mintz, 1986; Thies, 1987; Chan, 1988). Thus, this study of the defense burden-sharing relationship between the U.S. and South Korea seeks to understand how the U.S. defense burden is one factor among many which impacts on South Korea's defense burden.

Those activities influenced the Nixon Administration's efforts to increase U.S. allies' defense burden. In the 1980s and 1990s, the burden-sharing issue was dynamically discussed among politicians, bureaucrats, and scholars.

In the 1980s, under legislative provisions dating to the *Defense Authorization Act of 1981* (P.L. 96-342, Section 1006), the U.S. Department of Defense (DOD) was required to compare its allies' defense burdens, explain disparities, and describe efforts to reduce or eliminate those disparities (DOD, *Report on Allied Contributions to the Common Defense, 1998*). As a result, the DOD issued its first report in 1981, entitled *Report on Allied Commitments to Defense Spending*, and since that time the DOD has continued to report to the Congress, though the title of that report has varied. Until the DOD introduced the concept of responsibility sharing in 1994, the term "defense burden" had been frequently discussed in the Congress and in the DOD in relation to U.S. allies.[9]

It is apparent that there is no consensus on the concept of defense burden-sharing, much less on the measurement of defense burden. The traditional concept of "burden-

[9] In the 1990s, burden-sharing debates also have occurred in many international organizations (e.g., UN Peace Keeping Operation) other than alliances. As a result, burden-sharing raises the broader question of a state's contributions. In particular, the Gulf War led to a reformulation of the mechanisms by which individual nations contributed to global and regional security. With the goal of building a more stable and peaceful world, the U.S. reexamined all of its allies' contributions. To cope with the complex realities and opportunities presented by those changes, in 1994 the Department of Defense introduced the concept of "responsibility sharing." The figures about responsibility sharing are from the *Toward A New Partnership In Responsibility Sharing: An Overview of the 1995 Report on Allied Contributions to the Common Denense*, published by the DOD. However, the scope of the current study does not allow further discussion of this view or of its possible drawbacks.

sharing," as it was used in the context of U.S and European allies, primarily "refers to the cooperative defensive arrangement in which costs are divided between the allies and the United States" (Merritt, 1989: 170). It should be noted that the concept of burden-sharing includes intangible costs related to the maintenance of alliances as well as quantitative measures of expenditures and of financial contributions. The Secretary of Defense, Caspar Weinberger, stated in his report to Congress in 1981 that "The concept of burdensharing is the fair distribution of political, manpower, material and economic costs of maintaining our alliance postures" (4). The Korean *Defense White Paper* offers a more detailed concept of defense burden-sharing as follows:

> ...an integral part of a broadly defined defense sharing, which means to share fairly the responsibility, role, and accompanying cost among allied nations in proportion to their respective capabilities, in order to counter common military threat (1995:123).

The subjectivity of this description can be seen in terms such as "fairness," "equality," or "inequality". However, there are several elements within the concept of burden-sharing: financial aspects (based on defense expenditure), non-financial aspects (e.g., prestige), benefits provided by an alliance and the opportunity cost of military expenditure (Duke, 1993).

How can the defense burden be measured? Such measurement is made far more difficult because the defense burden is rooted in financial, political, and military factors. From the above arguments, it is obvious that measuring the defense burden only by its financial element is inadequate. For example, most European allies tend to include non-

financial aspects of the burden such as "noise, social dislocation, loss of revenue through the provision of rent-free facilities, maneuver damage and the inconvenience of having 326,000 U.S. troops on European soil" (Duke, 1993: 4).

Two measures of defense burden are most frequently used. The most common and traditional measurement is the percentage of GNP or GDP devoted to the defense expenditures by each ally. Although this measurement has its drawbacks,[10] it is widely used in debates in the U.S. Congress and in the literature on economic theories of alliance which are the basis of this study. For example, the Nunn-Roth Amendment (1984), the Neal Resolution (1987), the Ritter Resolution (1987), the Amendment by John McCain (1988), the Amendment by John Bryant (1988), and the Amendment by Tommy F. Robinson (1988) required allies to increase their defense expenditures to a certain percentage of their GNP. The U.S. also used this measurement to force Japan and South Korea to spend more than 2% and 6% of their GNPs on defense, respectively. This measurement is used in most economic theories of alliance, including the "free-riding" and "bargaining" models.

The other measurement, termed "cost-sharing," is a narrow perspective of defense burden measurement. Cost-sharing has only recently become a major issue for East Asian allies, especially since the late 1980s. Such cost-sharing includes expenses for stationing allied forces and consists of cash contributions and opportunity costs (Hyun, 1991). For

[10] Two major drawbacks of this measurement are that GDP measure tends to "compare burdens within individual countries rather than burdens between allies, and second, the GDP measure tends to focus attention on the revenue side of defense expenditure and not on how it has been spent" (Duke, 1993:121).

example, the U.S. enhanced its pressure on South Korea to increase cost-sharing for the stationing of U.S. forces. At the 20th ROK-U.S. Security Consultative Meeting (SCM) in 1988, South Korea agreed to allocate 45 million dollars in 1989 and 70 million dollars in 1990.[11] This agreement resulted in additional share for the stationing costs of U.S. forces for South Korea. South Korea had contributed to U.S. forces based on the Status of Forces Agreement (SOFA) signed in 1966. In 1991 the U.S. requested a special agreement on Article 5 of SOFA that forced South Korea to pay the costs of Korean employees in American military facilities. To cover these costs, South Korea had to spend 43 million dollars in 1991. As seen already, American pressure for cost-sharing forces its allies to shoulder more defense burden. Cost-sharing is not a totally different measurement of defense burden, but rather a strategic measurement used to gain an advantage in bargaining. For example, in 1980, South Korea began to maintain 6% of GNP, a level higher than that of the U.S during the same period. In addition, during the 1980s, the defense burdens of South Korea were larger than those of U.S. European (NATO) allies. Average defense burdens of European allies stayed below 3.6% of GNP through the 1980s (U.S. ACDA, *WMEAT, 1981-1991*). Thus, the U.S. could not credibly request South Korea to further increase its defense spending. Consequently, in the late 1980s, the U.S. abandoned the measurement which relied on a percentage of the GNP to assess South Korea's defense burden in favor of the measurement of cost-sharing.

This study uses both measurements. The former measurement is used in the first

[11] See, for detailed information, *Defense White Paper, 1994-1995* (The Republic of Korea).

three cases of bargaining in this study. Most studies on economic theories of alliance, which provide the theoretical basis of this study, accept this measurement. The latter measurement, cost-sharing, is also used for the last case of bargaining in this study. Although the measurement is different from that in the first three cases, there is not a major problem due to this difference because the basic logic or rationale of bargaining on defense burden is the same for all cases. In addition, cost-sharing is one of many variables that influence defense expenditures. In other words, the latter measurement is strongly related to the ratio of defense expenditure to GNP, *ceteris paribus*. Thus, there is no significant problem in using both measurements of defense burden in this study.

The Defense Burden-Sharing Debate in Theory: The Economic Theory of Alliances

In general, there are two contending theories regarding defense burden-sharing among nations in an alliance: the free-riding model and the bargaining model. According to the free-riding model, the larger country in an alliance (as measured by size of the GNP) has a larger defense burden than the smaller country does. In addition, the more the larger nation provides, the less the smaller nation will spend on defense (Olson and Zeckhauser, 1966 and 1968; Russett, 1970; Starr, 1974; Murdoch and Sandler, 1982; Thies, 1987). Conversely, the bargaining model suggests that the defense burdens of smaller countries move in the same direction as the larger countries. In other words, a smaller nation will

increase (or decrease) its contributions to defense as the larger nation increases (or decreases) its contribution (Palmer 1990a, 1990b, 1991).[12]

"Free-Riding" in Alliances

Olson and Zeckhauser initiated the study of the free-riding model by investigating disproportionate defense burden-sharing in NATO. Their notion of free-riding is adapted from Olson's argument that "In the sharing of the costs of efforts to achieve a common goal in small groups, there is however a surprising tendency for the 'exploitation' of the *great* by the *small*" (1965: 3). Olson and Zeckhauser (1966) express this relation in a formula. The larger country *A* has to provide the amount of defense (call this *D*) needed to deal with a threat without help from its allies. With ally *B*, which has a common threat, country *A* needs to provide less defense (d_a) because its ally *B* makes some contribution to defense (d_b), ($D = d_a + d_b$). When country *A* increases its military expenditures and provides a new level of defense d_a',($d_a' = d_a + df$), country *B* needs to provide less defense d_b', ($d_b' = d_b - df$) to obtain the needed level of defense or *D*.

Thus, the smaller country, *B*, decreases its defense burden as much as the larger country, A, increases it (1966: 268-269).

It is assumed in the logic that is the basis of this formula that defense provided by an alliance is a purely public good. A purely public good is characterized by two elements: nonexcludablility and nonrivalness of benefits. Nonexcludability means that once a good is

[12]The logic of this model is based on the theory of public good and the Prisoner's Dilemma.

provided for an alliance, none of the allies can be excluded from benefits of the defense. Nonrivalness means that when a good is provided to one ally it can be supplied to others at little cost. Because of these characteristics, according to Olson and Zeckhauser (1966), the more burden the larger ally shoulders in an alliance, the less smaller allies spend on defense; that is, they "free-ride."[13]

Using this logic, researchers have argued that larger states in an alliance (in terms of GNP) spend disproportionately more on defense than smaller countries. This free-riding principle has been widely supported (Olson and Zeckhauser, 1968; Russett, 1970; Murdoch and Sandler, 1982 and 1986; Thies,1987; Hansen, Murdoch, and Sandler, 1990).

Following this dynamic free-riding logic, we would assume that if the United States increased its defense burden, South Korea would decrease its defense burden, *ceteris paribus*. In addition, we would assume that if the United States decreased its defense burden, South Korea would increase its defense burden, *ceteris paribus.*

"Bargaining" in Alliances

The bargaining model provides an alternative perspective on defense burden-sharing (Reisinger, 1983; Oneal, 1990a; Palmer, 1990a, 1990b, and 1991). Palmer argues that "preferences for the supply and consumption of a public good is a Prisoner's Dilemma"

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[13]As many scholars (Snidal, 1985; Oneal, 1990b; Palmer, 1990a and 1991) perceive, although Olson and Zeckhauser's analysis is basically static in nature; there are dynamic implications.

(1990a: 151), and that there is a positive defense burden relationship between (or among) alliance members. That is to say that cooperation between allies is attained through a bargaining process. Palmer finally argues that "The subsequent bargaining means that the smaller members will increase (or decrease) their contributions to the supply of the good as the largest power increases (or decreases) its contribution" (162).

The logic of the bargaining model is derived from the theory of public goods and the Prisoner's Dilemma (PD). According to Palmer, all states in an alliance have an identical hierarchy of preferences. The preferred outcome is to "free-ride," or to enjoy the public goods (i.e., deterrence) provided by an alliance without contributing (DC). If actors cannot "free ride," the best alternative is paying of some of the costs for an alliance while receiving the benefits of others' contributions. This is the mutual cooperation (CC). The third preference is to pay no costs and receive no benefits (DD). The worst possibility is to pay the costs and provide an insufficient quantity while others do not pay but enjoy whatever benefits are provided (CD)(1990a: 151).

In a one-shot game, mutual defection (DD) is the dominant strategy for all players. But in the context of an alliance, the PD is an iterated game in which actors make continuous contributions to the alliance. Therefore, according to the "Tit-For-Tat" strategy,[14] mutual cooperation (CC) is the most likely outcome. Palmer argues that "it [the Prisoner's Dilemma] represents a convenient metaphor for the bargaining between group members and alerts us

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[14]For a detailed explanation, see Axelrod (1981: 306-309).

to the fact that among the things an alliance member considers in determining its contribution is the strategic question of how its allies will respond" (1990a: 152).

In the case of the US-South Korea alliance, the logic of the bargaining model asserts that if the United States increases its defense burden, South Korea will also increase its defense burden, and if the United States decreases its defense burden, South Korea will also decrease its defense burden.

Discussions and Research Questions

Some Thoughts on Existing Models

The economic theory of alliances (free-riding and bargaining models) discussed above is based on the assumption that deterrence produced by the alliance is a public good. A public good[15] is defined as one that is nonexclusive (characterized by the impossibility of excluding non-contributors from consumption) and nonrival or joint (such that when it is provided to one individual it can be supplied to others at little or no marginal cost; see Olson, 1965: 14). The deterrence produced by an alliance system is treated as a public good because the primary purpose of an alliance "is deterring aggression against any one of the members" (Olson and Zeckhauser, 1966: 267). States cannot be excluded from the benefits of deterrence regardless of whether or not they contribute. Further, although in most alliances

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[15]Sandler (1993) labels it as a pure public good to distinguish it from a private good.

smaller states (in terms of GNP) contribute disproportionately less than larger states, they are not excluded from provision of the public good. Moreover, deterrence provided to an ally will change little if other allies also benefit from it (Olson and Zeckhauser, 1966). Many other studies support this view that an alliance aids in deterrence and so produces a public good (Hilton and Vu, 1991; Okamura, 1991; Gonzalez and Mehay, 1991; McGuire, 1982).

Most studies of public good theory are based on the assumption of a rational, self-interested state (Reisinger, 1983: 150; Oneal, 1990a: 380). These studies assume that states are unitary, self-interested actors which, in an alliance, will seek to maximize their benefits and minimize their costs. To account for collective behavior in alliances, the Prisoner's Dilemma provides a useful analogy (Hardin, 1982; Axelord, 1984; Palmer, 1990a and 1990b). Hardin argues, "the problem of collective action and the Prisoner's Dilemma are essentially the same" (1982: 25). Axelord (1984) also argues that the provision of public good is viewed as an iteration of the Prisoner's Dilemma. In fact, most free-riding theorists and bargaining theorists assume that the Prisoner's Dilemma is a useful analogy for explaining collective behavior in alliances. This study also assumes that the collective behavior of allies can be explained by the Prisoner's Dilemma.

This study, however, points out several important issues regarding the traditional public good theory of alliances. First, private goods as well as public goods should be considered as products of alliances, as recent studies have shown (Burgess and Robinson, 1969; Russett, 1970; Sandler and Forbes, 1980; Oneal, 1990a; Sandler and Conybeare, 1990; Sandler, 1993). Sandler and Forbes (1980) introduced the joint product model, arguing that

outputs of defense activity by allies may be purely public, purely private, or impurely public. Many others agree with this argument. Oneal (1990a) contends that Olson and Zeckhauser's theory has declining explanatory power because of the provision of private goods in alliances. Alliances rarely satisfy the conditions of nonexclusiveness and jointness (nonrivalness) because impurities in the public good may depend on alliance strategies (Goldstein, 1995) or the nature of weapon systems (Sandler and Forbes, 1980; Murdoch and Sandler, 1982). Thies (1987) also argues that Olson and Zeckhauser's pure public good model is a special case of Sandler's joint product model. With more developed weapons systems and a more diverse and flexible alliance strategy, the degree of pureness must be reconsidered. This study relies on the assumption (of the joint product model) that an alliance produces private goods as well as pure and impure public goods.

The second weakness of the two models to be discussed here is that the voluntary aspect of cooperation was not considered in their formulation. There are two different aspects of cooperation: voluntary behavior and coercive behavior. Cooperation, in general, occurs "when actors adjust their behavior to the actual or anticipated preferences of others, through a process of policy coordination" (Keohane, 1984: 51). Although there is usually no coercive mechanism in the international system, an alliance may have a coercive mechanism or norms that force allies to cooperate (Palmer, 1990a). Cooperation among allies can be achieved coercively through limited authority rather than extreme coercion. Allies, for example, may be coerced to contribute more towards the costs for the alliance. This point is one of the basic assumptions in the bargaining model.

This study, however, assumes that cooperative behavior in alliances has two different aspects. Cooperation in alliances can be achieved either voluntarily or coercively (Oneal, 1990a). In fact, neither the free-riding model nor the bargaining model considers the possibility of voluntary contributions by smaller allies. The voluntary behavior can be explained as a desire for "self-reliance" and a "fear of abandonment" under the anarchical context of the international system (Goldstein, 1995: 39). For example, changes in U.S. foreign policy toward Taiwan and Mainland China, as well as the withdrawal of troops from Vietnam, were seen as "abandonment of an ally" in Korea (McLaurin, 1988: 170). The possibility of yielding private goods also induces voluntary contributions by smaller allies. For example, the more private incentives an ally can enjoy in defense spending, the more willingly it spends for defense.

Third, it is important to address the typology of incentives with which states in an alliance are concerned, because the dominant assumption of the importance of material incentives may not be entirely accurate. While Olson and many others focus on material and economic benefits and on the costs of alliances, there is evidence that solidary incentives and expressive or purposive incentives are also important (Clark and Wilson, 1961; Salisbury, 1969; Moe, 1980; Hula, 1995). Solidary benefits such as status, social pressure, and prestige are intangible benefits that are socially derived (Salisbury, 1969 and Moe, 1980). Purposive or expressive incentives are "intangible costs and benefits ultimately grounded in values of a suprapersonal nature" (Moe, 1980: 615). Incentives such as opposition to war, fairness and justice, moral obligation, and ideology may be as important in alliances as material

incentives (Salisbury, 1969 and Moe, 1980).

Several intangible incentives exist in the U.S.-South Korea alliance. The United States became involved in South Korean economic and security matters (e.g., economic and military aid) after World War II in an attempt to prevent a communist takeover, a politically important strategy. In the 1970s, the antiwar movement (after the Vietnam War) influenced US foreign policies, spurring the Carter administration to plan to withdraw US troops due to human rights problems in Korea. These policy changes cannot be explained without consideration of non-material incentives. Thus, solidary and purposive incentives should be considered in the study of the burden-sharing relationship between allies. These non-material incentives are more related to political interests.

Fourth, based on the above problematic points, this study will question the concept of "free-riding" and suggest a new one, "easy-riding." In the free-riding model, the concept of "free-riding" is stretched[16] too far. In addition to examining the three weaknesses with the free-riding theory mentioned above, this study provides two reasons why the free-riding theory is not tenable. The first is derived from the Prisoner's Dilemma. The public good provided by alliances differs from the domestic public good. In an alliance, especially in a bilateral alliance, it is easy to detect cheating or defection. The choice of defection when others cooperate is analogous to "free-riding" in a collective endeavor. In the iterated PD game, however, option DC is not a dominant strategy because of the fear of retaliation. If one

[16]When we try to broaden the applicability of the old concepts instead of inventing new concepts, it results in conceptual stretching. For detailed information, see Satori (1970).

of the states defects in the alliance, the alliance will disappear. Thus, allies usually contribute as much as others expect or agree upon. The second rationale used to critique free-riding theories is the interaction between international and domestic factors, including the role of costs. Most literature on free-riding does not sufficiently examine domestic factors such as socio-political constraints and the role of costs. Accordingly, because of this lack in most free-riding theories, this study argues that the concept of free-riding is not appropriate and instead provides the new concept, easy-riding, to explain the smaller ally's disproportionately smaller contribution to an alliance.

Lastly, Palmer's bargaining model will be modified (relaxed) to explain allies' cooperative behavior. As mentioned previously, the bargaining model argues that the "smaller member will increase (or decrease) their contributions to the supply of the good as the largest power increases (or decreases) its contributions (Palmer, 1990a: 162)." In other words, smaller allies always pattern their allocation of defense spending after that of the largest ally. However, this study goes further; in attempting to elucidate the bargaining process in alliances, it relaxes the bargaining model. This study argues that smaller allies do not necessarily follow the larger ally's cue in changing defense burdens. The asymmetric Prisoner's Dilemma is used to explain this argument, whereas Palmer's bargaining model is based on the symmetric game.

The examination of practices in the burden-sharing relationship between the U.S. and South Korea and discussions of the economic theory of alliances raise several important questions. The free-riding model cannot account for the increasing trend of South Korea's

defense burdens during the 1970s. Neither can Palmer's bargaining model explain the low level of South Korea's defense burdens during the 1960s and the increasing trend in the 1970s, especially in light of the decreasing trend of the U.S. defense burdens in the same period. Why could South Korea's defense burdens stay less than half those of the U.S. during the 1960s? Why did South Korea increase its defense burden to over 6% in the early 1980s despite the decreasing trend of the U.S. defense burdens? Consequently, the main question is how the relevant model accounts for the defense burden-sharing of South Korea over thirty years. In answering these questions, this study initially will analyze the logic of the free-riding and bargaining models. More importantly, it will suggest the relaxed bargaining model, which includes latent, tacit, and explicit bargaining, and will attempt to apply the relaxed bargaining model to the four empirical cases regarding the defense burden in the U.S.-South Korean alliance. After conducting a theoretical and an empirical analysis, this study concludes that the relaxed bargaining model better accounts for the cooperative behavior of South Korea on the defense burden, and that the nature of bargaining has changed as the context has changed.

Analytical Framework and Variables

Cooperation among states in general and, in this particular study, between allies, should be viewed as domestic-international entanglements and not only as international affairs. Some of the literature on this issue emphasizes the influences of domestic factors on foreign policy. For example, James Rosenau's (1969) "linkage politics" and Graham

Allison's (1971) "bureaucratic politics" suggest the importance of domestic factors in foreign policy decision-making. Haas (1958), who emphasizes the impact of parties and interest groups on the process of European integration, implies the importance of domestic factors. Krasner (1978) also argues that foreign policy decision-makers must be concerned simultaneously with domestic context.

More recently, Putnam's (1988) formulation of international bargaining as a "two-level game" has inspired more studies of the influence of domestic factors on foreign policy. He argues that there are games at the domestic level as well as at the state level, and that neither game can be ignored. He provides the important concept of "win-set" for a given domestic level constituency and defines it as "the set of all possible Level I agreements that would 'win'" (437). Figures of the domestic games (level II win-sets) are important for an understanding of the international games (level I agreements) because "larger win-sets make Level I agreement more likely, *ceteris paribus*" (437).

Based on the logic of two-level games, this study broadens the concept of "win-sets." A thick concept, which is denoted as "Win-Sets," is used here as the framework for analysis and applied here more broadly than in Putnam.[17] The contours of Win-Sets are investigated to assess the applicability of the relaxed bargaining model and to understand the nature of cooperation between two allies in terms of defense burden.

The dependent variable in this study is the defense burden of South Korea. As

[17] Thick concept of "win-sets" and the differences from that of Putnam's are discussed in Chapter 3.

discussed earlier, the defense burden is measured as the ratio of defense expenditures to GNP.[18] In addition, another measurement of defense burden, South Korea's cost-sharing of the total costs for stationing U.S. forces in South Korea, is used in order to investigate the last case of bargaining. The U.S. defense burden is measured as overall U.S. defense spending as a percentage of GNP. This is considered an intervening variable because some of the domestic factors such as public opinion or congressional activities affect the dependent variable through the U.S. defense burden. For example, congressional appropriation of defense spending or public opinion about defense spending affects the U.S. defense burden, in turn influencing the defense burden of South Korea. Both variables are important in both the "free-riding" and "bargaining" models.

To explain the defense burden of South Korea through the framework of Win-Sets, this study investigates the effects of five categories of contextual factors. Theoretically, a wide variety of factors contributes towards states' cooperative behavior through latent, tacit, and explicit bargaining. The nature of the actors (status of and capability of the actors) and the perception of other actors can be important factors which influence the outcome of bargaining (Schelling, 1963; Mitchell, 1980; Leng, 1993). Shelling contends that "the outcome is determined by the expectations that each player forms of how the other will play" (1963: 107).

More specifically, in the alliance context, what determines choices under the

[18] This operationalization is used by most scholars (Olson and Zeckhauser, 1966; Oneal, 1990a; Thies, 1987; Palmer, 1990a, 1990b and 1991; Sandler, 1988 and 1993).

Prisoner's Dilemma is a more important question in this part. The relative dependence of the partners in the alliance can be one of the most important determinants (Snyder, 1984). According to Snyder, dependence consists of "a state's need for assistance," "its partner's capacity to supply the assistance," "the state's degree of conflict and tension with the adversary," "the state's realignment alternatives," and "degree of strategic interest" (1984: 472).

Related to the above discussions, the following five categories of factors at both domestic and state levels are used to investigate the defense burden-sharing relationship. The degree of threat perception by each country in the Korean peninsula, as well as the degree of interest yielded by cooperative commitments as allies, are considered important factors at the state level. Economic conditions for each country and political and public support (Congressional debate and public opinion) in the U.S., are tested as additional contextual factors at the domestic level. In addition, for South Korea, bureaucratic politics are considered in bargaining in the late 1980s. These contextual factors at both domestic and state levels play a role either as facilitating factors or constraints in bargaining. Detailed discussion on the selection, conceptualization, and operationalization of those factors is provided in Chapter 3.

Organization of the Study

This study consists of six chapters. The first chapter reviews evolutionary changes in the U.S.-South Korean alliance, especially those pertaining to the defense burden, and

discusses related economic theories of alliance, including the free-riding and the bargaining models. Based on the theoretical and empirical discussions, the research questions are raised.

In chapter two, the concept of "free-riding" is questioned and the new concept of latent bargaining is suggested based on an analysis focusing on the pureness of public goods, the typology of incentives, the interaction between state-level and domestic-level factors, the possibility of the allies' voluntary contribution, and the logic of the Prisoner's Dilemma. This study designates the outcome of latent bargaining as easy-riding in an attempt to better explain the smaller ally's disproportionately smaller contribution. In addition, this chapter explores the existing bargaining model and suggests the relaxed bargaining model which includes three types of bargaining: latent, tacit, and explicit.

Chapter three provides the framework for analysis: the thick concept of "win-sets" (Win-Sets). Selection, conceptualization, and operationalization of all the contextual factors, including the dependent variable are discussed in this chapter.

Chapter four attempts to seek empirical evidence of "easy-riding" in the U.S.-South Korean alliance during the 1960s and characterizes it as latent bargaining. The second part of this chapter examines the context of the Nixon Doctrine and characterizes it as tacit bargaining. Such latent and tacit bargaining differ from explicit bargaining in terms of the goals and the means of bargaining.

In chapter five, two cases of explicit bargaining over defense burdens are investigated. The first case is bargaining over 6% of the GNP for South Korea's defense burden in 1979. The other is bargaining on cost-sharing to pay for the stationing of U.S.

forces which took place at the 20th Annual Security Consultative Meeting in 1988. Results of such bargaining are explained by the contour of Win-Sets structured by contextual factors at both the domestic and the state levels.

Finally, chapter six concludes with several arguments. South Korea's disproportionately smaller contribution during 1961-1968 is characterized as latent bargaining rather than free-riding since South Korea did not commit defection or exploitation which is an attribute of free-riding. The Nixon Doctrine is characterized as tacit bargaining because it was a process that relied on actions intended (partly) to influence South Korea's policy on defense burden. The agreement reached in 1979, which set South Korea's defense burden at 6% of the GNP, and the agreement reached in 1988, which requested that South Korea share costs for stationing U.S. forces in the Korean peninsula, are characterized as explicit bargaining because they were conducted through formal and diplomatic negotiation. Consequently, the major argument is that the relaxed bargaining model which includes three types of bargaining (latent, tacit, and explicit bargaining) has more power to account for the defense burden-sharing of South Korea during 1961-1968. It also argues that the nature of bargaining has changed as contextual factors have changed.

CHAPTER 2

ALLIANCE AS COLLECTIVE ACTION

This chapter provides the theoretical argument for why the concept of "free-riding" should be replaced by the new concept of "easy-riding" and why a model of relaxed "bargaining" is better to explain defense burden-sharing relationships between allies. In doing this, it first reviews the pure public good model and joint-product model and their application to national defense. In addition, it includes consideration of the explicit typology of incentives, of two aspects of cooperation among allies (coercive and voluntary), and of the interaction between domestic and state level factors related to the defense burden. This chapter also suggests the asymmetric Prisoner's Dilemma as an analogy to elucidate bi-directional changes of defense burdens of smaller allies. The first argument advanced by this chapter is that the "free-riding" model is not appropriate to explain the asymmetrically smaller contribution of smaller allies, and thus latent bargaining is suggested as an alternative concept. Easy-riding is the outcome of latent bargaining which reflects a situation and not a process. The other argument is that the relaxed bargaining model, which includes latent, tacit, and explicit bargaining, is the better model to account for cooperative behavior among allies.

Pure Public Good Model and Joint-Product Model

Pure Public Good Model

The logic of public or collective goods has been used to understand how defense burdens are shared within an alliance. Based on the logic of public goods, Olson and Zeckhauser (1966) have provided the theoretical basis for "free-riding"---that is, the shouldering of a disproportionately small defense burden by the smaller ally. Olson and Zeckhauser have treated national security as a pure public good both within and between allies.

A pure public good is characterized by two elements: nonexcludability and nonrivalness or jointness of benefits.[1] Nonexcludability means that once a good is provided for one individual, no others can be excluded from benefits of the good supplied. Air pollution control facilities and highways, for example, provide nonexcludable benefits, since once provided it is almost impossible to exclude any residents from receiving their benefits. The other characteristic of a pure public good is nonrivalness or jointness of supply such that when a good is provided to one individual it can be supplied to others at little or no additional cost. The benefits of the good are nonrival when a good can be consumed by one individual without decreasing the others' consumption. For example, benefits of sunsets or air are nonrival because consumption of these benefits by one individual does not detract from others' consumption.

[1] Most studies on the economic theory of alliances use these criteria. On the definition and characteristics of pure public goods, see G. Head (1962) and Olson (1965).

In contrast to the pure public good, the benefits of a private good are fully rival and excludable. When a good does not display both nonexcludability and nonrivalness in their pure form, the good is impure public good (Sandler, 1993).

In an alliance, deterrence is both nonexclusive and nonrival. Deterrence provided by the alliance is nonexcludable and nonrival because once provided all the allies can enjoy the deterrence and deterrence for one ally does not decrease the benefits of that deterrence to other allies.

Free-riding is a common problem under the condition of a pure public good. Olson (1965) explored the notion of "free-riding" arguing that:

> Indeed, unless the number of individuals in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common or group interests, *rational, self-interested individuals will not act to achieve their common or group interests* (2). In the sharing of the costs of efforts to achieve a common goal in small groups, there is however a surprising tendency for the "exploitation" of the *great* by the *small* (3).[2]

Olson and Zeckhauser (1966) developed the "free-riding" model by investigating disproportionate defense burden-sharing in NATO based on the notion of Olson's "free-riding" under the condition of pure public good developed in his *The Logic of Collective Action* (1965). According to their model, larger states in an alliance (in terms of GNP) spend disproportionately more on defense than smaller states. Because of the pure publicness of deterrence, allies tend to provide suboptimal amounts of alliance defense. It

[2] Olson (1965) used common, collective, and public good as a synonym. His notion of public good is interpreted as pure public good to distinguish from private good (Sandler, 1977 and 1993).

is a Nash-Cournot equilibrium that allies contribute less than their Pareto-equilibrium allocation towards defense (Olson and Zeckhauser, 1966). The alliance members provide additional alliance forces until the Pareto-optimal level is reached only if given the incentive that sharing in additional benefits will be preconditioned on the sharing of marginal costs. Moreover, the more burden the larger ally shoulders in an alliance, the less smaller allies spend on defense. The free-riding principle has been widely supported for over three decades.[3]

Empirically, according to Olson and Zeckhauser (1966), the doctrine of mutual assured destruction (MAD), first put forth by Robert McNamara in the 1960s, implied that U.S strategic nuclear weapons provided deterrence that could be considered as a pure public good. Accordingly, the benefits of deterrence were nonrival to the NATO allies and also nonexcludable. Thus, smaller allies were tempted to "free-ride," to contribute less than the U.S.

The Nature of National Defense and the Joint-Product Model

Since the late 1970s, doubts concerning the publicness of national defense have been raised. Sandler and his colleagues have fueled this doubt, publishing many articles on the defense burden-sharing in an alliance focusing on the impureness of national defense and the joint product model.[4]

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[3] The relevant literature consists of Olson and Zeckhauser (1968), Russett (1970), Starr (1974), Murdoch and Sandler (1982 and 1986), Thies (1987), Hansen, Murdoch, and Sandler (1990).

[4] Cauley (1975), Forbes (1980), Murdoch (1984), Conybeare (1990), and Khanna and Shimizu (1998) are major scholars collaborating with Sandler. Additional studies arguing

van Ypersele de Strihou's (1967) study[5] on burden sharing in NATO represents a transition from Olson and Zeckhauser's view to the joint product model introduced in the late 1970s. van Ypersele de Strihou argued that private benefits result from defense expenditures:

> Defense expenditures not only provide the international public good, external security, but in addition they provide other benefits which are strictly national and are not shared with the allies, especially political benefits, internal security benefits and economic benefits (1967: 530).

For example, in emergencies the armed forces can be used for disaster relief and maintenance of domestic order. Advances in technology, employment level, price stability, and balance of payments are also cited as important economic benefits. Defense expenditures devoted to research and development also provide important benefits although we cannot measure them precisely (van Ypersele de Strihou, 1967).[6] These benefits do not spill over to the nation's ally and are excludable and rival among allies and so are definable as private.[7]

Sandler's joint product model goes further than van Ypersele de Strihou's view and provides a clearer understanding of the nature of goods yielded by defense expenditures. Early in his career Sandler collaborated with Cauley (1975) and in 1977

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joint products include those by van Ypersele de Strihou (1967), McGuire (1982), Boyer (1988), and Bobrow and Boyer (1997).

[5] This article is part of his Ph.D. dissertation submitted to Yale University in 1965.

[6] For example, 85% of the research and development expenditures of the aircraft industry and over 50% of the research and development expenditures of the electrical equipment industry and the communications industry are supported by the Department of Defense (van Ypersele de Strihou 1967: 533).

[7] This type of benefit can also be called "private by-products" (de Luca, 1986: 81).

published his own article on the nature of national security (defense).

Sandler analyzes national defense and argues that national defense has two components: deterrence and protection.[8] The distinction between these two elements depends on such factors as "action versus threat, credibility, information flows, and the ultimate capabilities of the weapons" (1977: 445). Deterrence requires that a credible threat of retaliation should be made known to the potential enemy. Without credible threats of retaliation and capable weapons, an alliance cannot provide deterrence.

Deterrence, the first component of national defense, is perceived as a pure public good by Sandler and his colleagues. Deterrence requires a combination of power and will to use it for retaliation. When allies are clustered and share more vital interests, and nuclear weapons are possessed by the alliance, deterrence is more possible. In addition, military power and the will to retaliate should be perceived by the potential enemy. Credibility is essential to successful deterrence (Russett, 1970; Kennedy, 1972). Sandler and Forbes argue that, under such a condition of effective deterrence, benefits are nonrival and nonexclusive.[9]

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[8] There is more literature on these two components such as Boulding (1962), Schelling (1966), van Ypersele de Strihou (1968), and Russett (1970). To remove confusion due to terminology, this study uses Sandler's concepts. The term *defense* denotes a good used for any strategic purpose rather than the tactical meaning. Defense goods include defensive goods for protection, deterrent good, and mixed of those goods. The term protection means the purely defensive aspects of national defense (Sandler, 1975: 333 and 1977: 445).

[9] There is an exception to this view. de Luca (1986) argues that deterrence cannot be called a pure public good, though it is closer to the definition of a pure public good than protection. Her argument is that deterrence is neither nonrival nor nonexclusive because of credibility problems and additional costs due to extending the alliance's nuclear protection to an additional country (1986).

> Whenever an alliance's commitment to retaliate against aggressive acts directed at any ally is credible, then the punishment threat of Deterrence Weapons provides nonrival benefits to the entire alliance. That is, additional nations can join the alliance without diminishing the deterrence provided to the existing allies (1980: 427).

In contrast, protection begins when deterrence fails and there is an assault. Protection is an action rather than a threat and protective weapon systems are more effective when they remain secret. In addition, Sandler has pointed out problems that arise with ubiquity:[10]

> A defensive line around one strategic town diminishes the amount of protection that other towns can receive. Military bases of one ally certainly create spillovers to another ally; however, oftentimes these military bases would not produce the same protection for another ally as would be provided had these military bases been located in its own country. Defensive missile systems located in one section of a country reduce the protection available to other sections, unless, of course, the range and accuracy of the missiles are sufficient to overcome this spatial factor (1975: 334-335).

de Luca also agrees that there is an "ubiquity problem" in protection by the armed forces, arguing that "it is easy to see how it could be very costly and even impossible to use the same personnel and equipment to protect a city or industrial district in another country" (1986: 74).

Another characteristic of protection is that many of its benefits are impurely public and thus rival and excludable. When purely protective armed forces are used to protect larger geographic areas, the quality and quantity of protection provided to each

[10] The term "ubiquity" is used by de Luca along with "thinning," "fungibility," and "enthusiasm differential and home advantage" (1986: 74).

region will decrease. When protective forces are withdrawn from country A and deployed to country B, the benefits of the protective forces for country A are excluded at the will of the provider. This is called thinning of forces (Sandler and Cauley, 1975; Sandler and Forbes, 1980; and de Luca, 1986). For instance, as protective forces are required to protect a larger area due to the joining of a new ally, a thinning of forces results from a rivalness in space (Sandler and Forbes, 1980). Specifically, shifting from a "Win-Win" strategy to a "Win-Hold-Win" strategy can be understood as an effort to diminish this thinning effect.[11] Aspin argues that the U.S. can hold off a second adversary with only a small commitment of forces while the most of the U.S. forces are used to defeat the main adversary (*The Washington Post*, June 17, 1993). This "Win-Hold-Win" strategy has fewer thinning effects than a two-war strategy so-called "Win-Win" strategy.

Based on the distinction between the deterrent and protective aspects of national defense, Sandler and his colleagues (1977) have suggested a taxonomy for defense goods. Figure 2-1 exhibits different types of defense good. If the weapon's sole purpose is to commit a credible threat of punishment on behalf of an alliance, it is classified as a purely deterrent weapon (DW). This deterrent weapon provides nonrival and nonexcludable benefits for all allies and so can be categorized as a pure public good. For example, deployment of a nuclear submarine force provides a retaliatory threat on behalf of the alliance that is applicable to all allies and nonrival.

[11] "Win-Hold-Win" strategy was reviewed and proposed by Defense Secretary Les Aspin in the early Clinton administration. However, it was never officially accepted as a national security strategy (*The Washington Post*, June 17 and 25, 1993).

On the other hand, if a weapon is meant to "shelter, retard, repel, or forewarn against an attack," it is classified as a purely protective weapon (PW) (Sandler, 1977: 445). For example, antiballistic missiles, air raid shelters, early warning systems, and the airborne weapon and control system (AWACS) are purely protective weapons. This type of weapon usually provides impurely public good because the benefits of these weapons can be rival and exclusive due to the thinning effect and the ubiquity problem.

Lastly, if a weapon's function varies from deterrent goals to protective goals, it is classified as a mixed defense weapon (MW). For example, submarines, tanks, and fighter jets are mixed defense weapons which provide both a purely public good and impurely public good.

In short, purely deterrent weapons usually provide a pure public good, whereas purely protective weapons usually provide an impurely public good due to the thinning effect and the ubiquity problem.

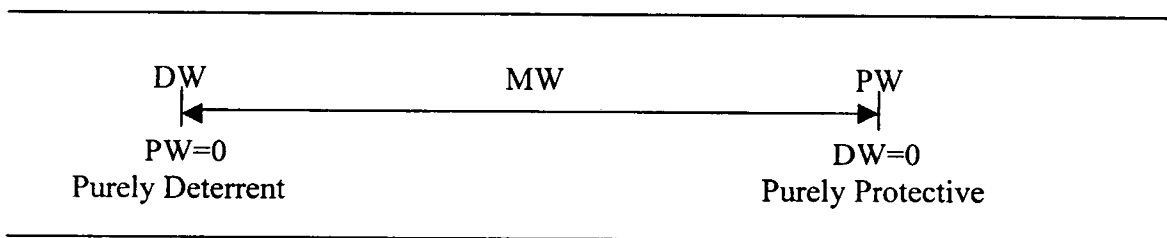

Figure 2-1: Taxonomy for Defense Weapons[12]

[12] Sandler (1977: 445 and 448).

Though purely protective and purely deterrent weapons rarely exist, this study accepts the above taxonomy as an extremely useful one for classificatory purposes. Most weapons are mixed weapons, since purely protective weapons are also seen as a necessary part of deterrence because of their implication for damage denial and retaliatory capacity. Purely deterrent weapons are also seen as important in protecting from attack when deterrence fails. Moreover, purely protective weapons are deployed in more protection-oriented strategies and thus provide benefits closer to protection. By contrast, purely deterrent weapons are deployed more often in deterrence-oriented strategies and thus provide benefits closer to deterrence. In short, most weapons provide mixed benefits.

More importantly, a purely protective alliance relying on purely protective weapons and purely deterrent alliances relying on purely deterrent weapons do not exist in practice. Most alliances rely on both deterrent and protective aspects of national defense, though the extent to which they do so on each will vary.

In addition to the impure public aspects of defense discussed so far, the private good provided by the allies' defense efforts should be considered. Relying on van Ypersele de Strihou's notion of private benefits, Sandler (1977) argues that defense expenditures yield many benefits that are purely public for individual allies, though these same benefits may be purely private goods for the alliances as a whole. For instance, armed forces can keep domestic order in times of emergencies, provide disaster relief, and provide a coastal guard. Both deterrent weapons and protective goods may yield private goods (Sandler and Forbes, 1980). Private goods such as an augmented national

prestige and the protection of coastal waters can be produced by deterrent weapons and protective weapons, respectively. However, purely protective weapons tend to provide relatively more private goods because they can be used for intra-country purposes. Purely deterrent weapons, primarily related to national strategic weapons provide fewer intra-country benefits (Sandler and Forbes, 1980). In short, most goods provided by allies' defense expenditures are classified as impure public goods and are located between the pure public and private good ends of the spectrum (Sandler and Cauley, 1975).

Unlike traditional studies on defense burden-sharing, Sandler (1977 and 1993) developed the "joint product" model of national security based on the private aspects of defense expenditures. According to his joint product model:

> ...a general defense good yields a private good output, a purely public output and an impurely public output. The purely public output is deterrence, whereas the impurely public output is protection (1977: 454).

This study offers the "joint product" model, which argues that an ally's defense efforts mostly provide impure public goods that fall between the two extreme ends of the spectrum---the purely public good such as deterrence and the purely private good such as nation-specific goals. Related to this view, Sandler argues that "pricing of defense is based upon *both* the private benefits and the marginal thinning costs induced by increased utilization of the impure public output of protection" (1977: 455). More specifically, he argues that alliances that rely upon conventional forces tend to share defense burdens according to the proportion of benefits received by the allies, whereas allies that depend on the larger ally's nuclear weapons are more apt to free ride. In short, strategic, diplomatic, and technological changes are important factors in deciding country-specific

benefits and thus influence defense burden-sharing between or among allies (Sandler and Forbes, 1980).

In summary, an alliance that is under the condition of purely public good, and so where "free-riding" is possible, rarely exists because an alliance which relies on purely deterrent weapons does not exist. Instead, in general, most alliances yield impurely public goods and private goods as well as purely public goods. Thus, the concept of "free-riding," which is based on the assumption of a public good, should be reexamined.

Two Aspects of Cooperation in Alliances

Alliances, the promises of cooperation among states, have become the focus of much literature on international relations. Most literature on cooperation among states accepts Keohane's (1984) definition as a common concept of cooperation (Oye, 1986; Putnam and Bayne, 1987; Hass, 1990; Grieco, 1990; Milner, 1992). According to Keohane, "[c]ooperation occurs when actors adjust their behavior to the actual or anticipated preferences of others, through a process of policy coordination" (1984: 51).[13] States cooperate both to pursue a self-interested goal not shared by all states and to attain gains and rewards (Milner, 1992). Cooperation between or among allies is slightly different because alliances have a coercive mechanism and norms that force allies to

[13] Of course, harmony or coincidence of preferences with absence of conflict is not a cooperation. See, Keohane (1984) and Chernoff (1995), for more information.

cooperate. This study classifies cooperation among allies into two categories, coercive and voluntary cooperation, and analyzes them.

Coercive Cooperation

Although there is usually no coercive mechanism in the international system, cooperation in general and cooperative behavior in defense burden-sharing between allies in particular can be achieved coercively through the limited authority given to the regime of alliance rather than through extreme coercion. According to the realist school of thought, coercion often plays an important role, with its effects varying and depending on internal politics (Odell, 1993). The international regime, in general, provides sets of norms, principles, rules, or decision-making procedures which facilitate cooperation between or among member states.[14] Although rational egoism impedes international cooperation due to each nation's pursuing its self-interest, regimes can help states to achieve mutually beneficial agreement (Keohane: 1984).[15]

More specifically, alliances have a coercive mechanism or norms that force allies to cooperate (Palmer, 1990a). In other words, allies may be coerced to contribute their share of costs to the alliance. Oneal (1990a) also argues that cooperation in sharing the

[14] The international regime is generally defined as "sets of implicit or explicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of international relations" (Krasner, 1983: 2).
[15] The theory of hegemonic stability also implies that international cooperation can be imposed. However, that theory is not discussed here because it relies too heavily on changes in power to account for changes in patterns of cooperation. In addition, the hegemonic stability theory does not give us enough empirical evidence, and "even its chief adherents have doubts about it" (Keohane, 1984: 38).

costs in alliances could be the result of coercion. The powerful ally may not allow the smaller allies to act independently and free ride. Russett and Sullivan (1971) also believe that coercion is one of the conditions for the achievement of a public good. They argue that "[a]t one extreme the collective good can be provided when members are coerced to pay their share of the costs" (1971: 850). Coercive cooperation does not necessarily mean extreme force applied to unwilling allies. Instead, most cases probably involve situations in which the members have limited power or authority to coerce their partners through explicit negotiation within the scope of a specific alliance. Cooperation negotiated in an explicit bargaining process would be an example of this type of coercive cooperation. Thus, negotiation in an explicit bargaining process is an important and common way to achieve cooperation (Grieco, 1990; Milner, 1992) and provides the basis for the bargaining model of defense burden.

Voluntary Cooperation

Neither the free-riding model nor the bargaining model considers the possibility of voluntary contributions by allies. This study, however, considers voluntary contributions as one of two aspects of cooperation among allies and a necessary factor in evaluations defense burden-sharing relationships. Oneal (1990a) implies the possibility of voluntary cooperation in sharing the costs in alliances though he does not provide much explanation. Oneal (1990a) argues that "greater cooperation in sharing the costs of collective security could be either voluntary or the result of coercion" (386), and "certainly, movement toward a more equal distribution of the costs of collective security,

whether coerced or voluntary, would be facilitated by the small size of the alliance" (387). This study provides the most explicit explanation of this perspective and argues that voluntary behavior can be understood in two different contexts: the pursuit of self-reliance due to the fear of abandonment and the desire for private goods provided by defense spending.

Fearing abandonment (by the larger ally) under the anarchical context of the international system and desiring greater self-reliance, allies voluntarily allocate more to defense spending. While the collective goods theory of alliances emphasizes the tendency of small allies to free-ride, the neorelaist perspective suggests that states make efforts to avoid dependence on allies. Goldstein (1995) elucidates the small nation's fear of abandonment, arguing that "[i]n an international system where there is not reliable authority to enforce contracts, commitments are inherently uncertain, and states who would depend on others must worry about the risks of abandonment" (39). For example, after the 1960s, European doubts about U.S. willingness to employ its nuclear weapons on behalf of its allies emerged. In addition, changes in U.S. foreign policy toward Taiwan and mainland China and the withdrawal of troops from Vietnam were seen as abandonments of allies (McLaurin, 1988).

Due to the fear of abandonment in the anarchical international system, allies have a tendency to pursue self-reliance. Snyder (1984) characterizes the dilemma faced by such allies over whether to cooperate or to defect, giving it the name of "secondary alliance dilemma." He argues that the most important determinant of this alliance security dilemma is the relative dependence of the allies on the alliance. The more

dependent an ally is, the more likely that its fears of abandonment will outweigh its fears of entrapment (1984: 472). In other words, the strong contribution to an alliance reduces the risk of abandonment but increases the risk of entrapment.

The tacit cooperation suggested by Young (1989) and Milner (1992) can also be understood as voluntary cooperation. According to them, cooperation can be tacitly achieved without explicit agreement. The iterated Prisoner's Dilemma captures this type of situation. For example, allies' attempts to adjust their behavior to the larger ally's expectations often can be understood as this type of cooperation.

The other context that induces the allies' voluntary behavior is the existence of private goods yielded by the alliance. Self-interested pursuit of private goods does not necessarily conflict with the pursuit of collectively desired outcomes (Russett, 1970; Sandler, 1977). In addition, allies are more likely to contribute to the alliance when more private goods are involved in the alliance. Self-interested pursuit of private goods combined with the public good helps to yield higher levels of the public good in alliances. In other words, the provision of private goods to allies may induce voluntary contribution to alliances (Russett and Sullivan, 1971; Bobrow and Boyer, 1997). Thus, the collective good may be partly obtained by the allies' voluntary behavior if there are private benefits to allies.

In summary, two different aspects of cooperation between or among allies on defense burdens are considered in this study. The first one is that allies' cooperative behavior in terms of defense burdens can be coercively achieved through limited authority given to the regime of alliance. However, unlike the bargaining model or the

"free-riding" model, this study considers that the allies' cooperative behavior on defense burden can be partly understood as a voluntary behavior due to the fear of abandonment and desire to pursue private goods.

Typology of Incentives

The concept of "free-riding" is undermined not only by the problem with the publicness of defense in alliances, but also by a cost-benefit analysis. Most studies on the economic theory of alliances consider only the economic costs of alliances in their calculation.[16] The proponents of "free-riding," Olson and Zeckhauser (1966), depend on the Spearman rank correlation coefficient for GNP and on defense expenditure as a percentage of GNP. Palmer (1990a, 1990b, and 1991) argues that the bargaining model also relies on military expenditures and on GNP with some sets of control variables. Although he includes several dummy variables as control variables such as international tension, he mostly relies on the GNP or military expenditure-based variables. Although van Ypersele de Strihou (1967) points out private goods such as political benefits, he calculates political benefits only from aid expenditures (531).

Moreover, according to Sandler's (1993) survey based on 23 selected studies on the economic theory of alliances, the encompassing variables that most studies use in

[16] Bobrow and Boyer (1997) are an exception. Theypconsider the intangible benefits of experience and training. Sandler and Forbes (1980) also view national prestige as an intangible benefit, but they do not include it in their analysis.

their quantitative investigation are income, price, and threat. These variables are measured using primarily military expenditures and GNP or GDP.[17]

In practice, intangible incentives such as national prestige, fairness and justice, moral obligation, and ideology are also important factors in foreign policy as a whole and in decision-making on defense burdens in particular. The U.S. provides economic or military aid on condition that the recipient country improves its record on human rights. For example, when interviewed by *U.S New & World Report*, Brzezinski stressed the Carter Administration's prioritization of human rights; "[t]he first is to infuse American foreign policy again with a certain measure of moral content. The human-rights issue is very pertinent here" (*U.S New & World Report,* Feb. 13, 1978). To some degree, U.S. foreign policy cannot be explained without consideration of such intangible (non-material) incentives.

Salisbury (1969) provided a new notion of benefits and many others have supported this broader concept of incentive.[18] Basing his work on Clark and Wilson's (1961) typology of incentives, Salisbury (1969) argues that there are three types of benefits (material, solidary, and expressive). Material incentives are tangible (economic) costs and benefits on which Olson and most researchers on the economic theory of alliances have focused. Solidary incentives are intangible costs and benefits of a social

[17] For example, income is derived from the GDP or GNP measure, price is the relative price of defense expenditures, and threat is assumed to be the defense expenditures of the enemy. His sample of 23 studies includes most studies on the economic theory of alliances. For more information, see Sandler (1993).
[18] Moe (1980), Cigler (1991), B.A. Cigler (1995), and Hula (1995) are included in this group.

nature deriving from such non-material forces as social pressure and status (Clark and Wilson, 1961; Salisbury, 1969; Moe, 1980). Clark and Wilson (1961) suggest that solidary incentives "derive in the main from the acts of associating and include such rewards as socializing, congeniality, the sense of group membership, fun and conviviality, and so on" (134-135).

Several researchers who focus on domestic group membership (interest group) object to Olson's concern solely with material benefits and tangible rewards of participation. They stress that noneconomic incentives such as solidary and purposive incentives should also be considered.[19] Following these studies, this study will assume that socially derived intangible benefits such as status or prestige are important in the collective behavior.

Purposive or expressive incentives, on the other hand, are intangible costs and benefits derived from advancing a particular cause or ideology (Clark and Wilson, 1961; Salisbury, 1969; Cigler, 1991). Moe (1980) argues that purposive incentives are "ultimately grounded in values of a suprapersonal nature, e.g., notions of right and wrong, moral or religious principles, political ideology, and notions of fairness and justice" (615). Salisbury (1969) prefers to use the notion of expressive incentives rather than the term "purposive," arguing as follows:

> Presumably one cannot *express* material values; one must pursue them and achieve them. Similarly, one can only enjoy solidary benefits by having them. But one can often derive benefits from expressing certain kinds of values. Opposition to war or poverty and affirmation of free speech or civil rights are contemporary examples of values many people wish to

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[19] Clark and Wilson (1961) first develop three types of incentives: material, solidary, and purposive. Salisbury (1969) later develops the term "expressive" rather than "purposive."

> express and, what is of critical importance for our purposes, they are willing to join groups which provide mechanisms for the public expression of those values. ....Material, solidary and expressive benefits would seem to constitute mutually exclusive categories at the conceptual level, though the difficulties of empirical specification and measurement can hardly be exaggerated (16-17).

Such noneconomic incentives suggested by the above scholars play a significant role in a cost-benefit analysis. This study does not lay much weight on the distinction between solidary and purposive or expressive incentives. Instead, it focuses on the role of noneconomic incentives including solidary and expressive incentives. Related to this incentive debate, Cigler (1991) also agrees with the point that the role of intangible noneconomic incentives in collective behavior is important. He argues that:

> There is strong theoretical and some empirical evidence to suggest that Olson's concentration on tangible economic motives underestimates the potential for collective action, and that cooperation among citizens in pursuit of collective goals can occur under a variety of different circumstances (1991: 197).

Hardin (1982) also argues that intangible factors such as a sense of fairness, duty, and moral obligation lead individuals not to free-ride. Similarly, Moore (1995) distinguishes noneconomic incentives from economic incentives using the label of "social" incentives. In his argument, social incentives include "emotional and psychological goods such as friendship, camaraderie, etc" (427).

How does the logic of noneconomic incentives in the context of domestic interest groups apply to collective behavior at the international level? Frey's (1984) argument regarding the rational behavior approach to social problems and public choice theory provides a rationale for this question. The rational behavior approach assumes that the

individual is the basic unit of analysis, that he or she pursues the highest net benefits, and that the individual's preferences are constant and can be applied in the international field. For instance, burden sharing in alliances is an example of the applications of the public good concept developed in the domestic context (Frey, 1984).

In addition, the role of personality in foreign policy decision-making is considerable (George, 1980). In other words, cognitive beliefs such as ideology, world view, and preconceptions play a significant role in the foreign policy decision-making process. For instance, George (1980) considers intangible benefits such as self-esteem to be a part of national interest, though the seriousness of its effects is minor.

In sum, noneconomic incentives as well as economic incentives play a significant role in collective behavior in the international field. Noneconomic incentives are important factors in the analysis of defense burden-sharing relationships in alliances. Thus, unlike most literature on the economic theory of alliances, this study considers these incentives as influential elements.

Entanglements of Domestic and State Level Factors

Until the last decade much of the international relations literature on cooperation focused on the concept of power and on the systemic level of analysis; that is, the anarchical international system was considered to provide constraints and incentives to encourage cooperation (Keohane, 1984). In other words, it was assumed, as in the neorealist theory of state behavior, that when the international system changed, the state's

incentive and behavior would change as well. More specifically, the theoretical literature on the economic theory of alliances was dominated by a realist (neorealist) perspective, and consequently the role of domestic social and political factors was underestimated.

However, since the late 1980s, much literature on the issue of cooperation among nations has been seeking the sources of state behavior in domestic factors such as domestic political or economic conditions or the attributes of a state's leader. A group of scholars has suggested that domestic factors sometimes have significant effects on the state's behavior at the international level (Putnam, 1988; Kupchan, 1988; Peter Hass, 1992; Milner, 1992; Evans, 1993; Evans, Jacobson, and Putnam, 1993; Cowhey, 1993; Bennett, Lepgold, and Unger, 1994; Huelshoff, 1994; Gourevitch, 1996; Spiezio, 1997).[20]

More specifically, Putnam's (1988) formulation of international bargaining as a "two-level game" has inspired more studies focusing on the influences of domestic factors on foreign policy. Putnam (1988) explains the logic of the two-level game as follows:

> The politics of many international negotiations can usefully be conceived as a two-level game. At the national level, domestic groups pursue their interests by pressuring the government to adopt favorable policies, and politicians seek power by constructing coalitions among those groups. At the international level, national governments seek to maximize their own ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments. Neither of the two games can be

[20] In fact, some earlier scholars show links between domestic and international affairs. For instance, Rosenau's (1969) "linkage politics" and Allison's (1971) "bureaucratic politics" suggest some linkages between domestic politics and foreign policy. In addition, Krasner (1978) argues that foreign policy decision-makers must be concerned simultaneously with the domestic context. However, these studies remained unclarified or were state-centric and thus provided only an uncertain basis for theorizing interaction between domestic and international politics (Putnam, 1988).

> ignored by central decision-makers, so long as their countries remain interdependent, yet sovereign (434).

He suggests the important concept of "win-sets" for a given domestic level constituency and defines it as "the set of all possible Level I agreements that would 'win'" (1988: 437). Figures of the Level II win-sets are important to understand Level I agreements because "larger win-sets make Level I agreement more likely, *ceteris paribus*" (1988: 437).

Moreover, Schoppa (1993) introduces synergistic strategies which are more dynamic bargaining strategies using the nature of the two-level game. According to him, negotiators pursue "synergistic strategies aimed at reshaping politics in both their own and their counterparts' domestic arenas to make possible deals that would not nave been possible in the absence of interaction between the two levels" (1993: 354).

Most studies on the economic theory of alliances, including representatives of the free-riding model and the bargaining model which were initiated by Olson and Palmer, respectively, do not consider the interaction between state and domestic factors. Olson and Zeckhauser (1966), for example, depend solely upon the defense burden (defense expenditure as a percentage of GNP) and GNP. They do not consider other domestic factors such as domestic politics or social pressure. In arguing for the bargaining model, Palmer (1990a, 1990b and 1991) also relies mainly on defense expenditures and GNP with some control variables. Although he includes control variables such as level of international tension, size of allies, size of the GNPs, and the effects of time, he does not consider interaction between international factors and domestic political or social factors.

Fortunately, however, several recent scholars have begun to examine the domestic factors of states' behaviors in alliances (Barnett and Levy, 1991; Bennett, Lepgold, and Unger, 1994). Regarding the issue of defense burden-sharing, Bennett, Lepgold, and Unger (1994) argue that the most important element in alliance bargaining is the interaction between decision-makers' international and domestic pressures. They argue that:

> What makes sense at home or abroad is often hard to sell in the other arena. The bargaining occurs when political leaders use pressures in one arena as leverage against the other. Often the alliance leader suggests that his or her domestic partners might abandon another state if this support is inadequate. A smaller ally's negotiators in turn may invoke this pressure at home to build support for a contribution or to soften the larger ally's demands by citing domestic constraints (1994: 44).

According to their view, states' behaviors are compromises reached amid the competing concerns of state autonomy, societal preferences, and bureaucratic politics, through bargaining. Whether or how many states contribute to the alliance depends on these domestic factors.

Related to the general issue of alliance, Barnett and Levy (1991) emphasize the role of domestic social, economic, and political constraints in shaping states' alliance policies. They empirically find that a combination of external security threats and domestic socio-political constraints can explain the Egyptian external alignments.

In summary, this study relies on the assumption that states' foreign policies are determined by domestic as well as by state level factors. More specifically, this study relies on the assumption that whether and how much allies contribute to the alliance is

determined partly by domestic factors such as societal preferences and bureaucratic politics, as well as by state level factors.

Undermining the Concept of "Free-Riding"

Based on the above discussion, this section focuses on undermining the concept of "free-riding" and suggests the alternative concept of "easy-riding," which is a consequence of latent bargaining. Although some scholars suggest the existence of bargaining in alliances (Reisinger, 1983; Oneal, 1990a; Palmer, 1990a and 1991; Thies, 1997; Papayoanou, 1997) or mention the misleading concept of "free-riding" (de Luca, 1986; Sandler, 1988; Goldstein, 1995), they do not systematically or fully analyze the limitations of the "free-riding" model. For example, Sandler (1988) argues that "[t]he term free rider is a bit misleading, because most free riders do not ride free; instead, they contribute less than their derived benefits would warrant" (31). However, he does not analyze the limitations in the concept of "free-riding," but argues that the benefits of privates goods and the flexible response strategy increase the allies' contributions. de Luca (1986) also undermines the free-riding model using her "Security Effort Comparative Index." She uses an empirical assessment of allies' contributions different than that of defense expenditures over GNP. Palmer (1990a and 1991) suggests the "bargaining model" which is the alternative to the "free-riding" model, but he develops it without the full discussion of the problems in the free-riding model.

This study questions the concept of "free-riding" by referring to game theory (the Prisoner's Dilemma), voluntary aspects of cooperation, interaction between factors at the state and domestic levels, and pureness of public good.

First, from the game theory aspect, there is some difference between the domestic and alliance contexts. Within the domestic context, especially in a large group, free riding is possible because detection is difficult and bargaining among individuals rarely takes place.[21] More importantly, there is no punishment or retaliation for little or no contribution in the domestic context. In short, individuals who contribute little or nothing can still enjoy public goods. For example, goods provided by the efforts (lobbying) of the American Medical Association (AMA) concerning the formulation of tax policy and health legislation are purely public goods for the member of the medical community.[22] Thus, any member of this community can enjoy the benefits. Someone who does not contribute time or money can also receive the same benefits as others who contribute. In this case, detection of defection (no contribution) is not easy and retaliation for defection is even more difficult. This is free-riding.

However, in an alliance the situation is different. In an alliance, especially in a bilateral one, detection of and retaliation of defection are possible. Thus, the option of defection-cooperation is not a dominant strategy because the smaller ally fears the retaliation for defection. Due to this situation, allies usually contribute as much as others

[21] In fact, the logic of "free-riding" is from Olson's (1965) work, *The Logic of Collective Action* which is based on domestic groups and public goods.
[22] This example was previously described by Olson (1965) and Berejikian (1992). In fact, the AMA also provides nonpublic goods such as information on new medicines. These nonpublic goods make individuals contribute.

expect, or as much as well previously agreed. If contributions by smaller actors fail to meet the larger ally's expectations, retaliation for that failure by the larger ally or a breakdown of the alliance may occur. Lockwood (1985) explains this situation as follows:

> Burdensharing is part of the collective effort of international security relationships between allies, whether such arrangements are bilateral or collective in nature. It implies that, as partners, each will contribute, according to previously agreed upon levels of effort or commitment, often based on respective political, military and economic capabilities. As partners, each is expected to maintain the structures of governance and military organization that facilitate common decisionmaking and the coordinated formulation and implementation of policies, including military strategies (95).

An iterated Prisoner's Dilemma game in which a Tit-For-Tat strategy is effective helps explain the logic of collective action (Hardin, 1982; Axelrod, 1984; Palmer, 1990a, 1990b, and 1991). In Figure 2-2, the best preference in Game A is enjoying the public good (deterrence) without contributing to the alliance (DC). This choice represents a defection from the larger state by the smaller state. The choice of defection when others cooperate is analogous to "free-riding" in a collective endeavor. In the iterated PD game, however, option DC is not a dominant strategy because of the fear of retaliation. If one of the states defects from other allies in the alliance, it is feared that the alliance will disappear. For example, during the 1950s and 1960s, option DC was not a dominant (or even off-considered) choice for South Korea because of its high dependence on the U.S. In a sense, DC was not a preferable option for the U.S. during this period because the Korean peninsula was critical in terms of strategic interest.

Game A

	C	D
C	2, 2	4, 1
D	1, 4	3, 3

Game B

	US	
	2, 5	10, 2
SK		
	1, 9	7, 6

Figure 2-2: General Prisoner's Dilemma (Game A) and Asymmetric Prisoner's Dilemma (Game B)
Notes: Both games satisfy preference ordering of PD, that is, DC>CC>DD>CD. Each number in Game A and B represents the size of cost, or defense burden.

In the asymmetric game (Game B), assuming numerous iterations, the dominant cost pair is 2,5, which is a cooperative rather than a "free-riding" position. Yet most literature on the free-riding model has labeled this choice "free-riding." This is a mistake because the 2,5 cost pair is the result of mutual cooperation, not defection-cooperation as Lockwood (1985) argues. If a smaller state contributes as much as its partner expects or agrees upon, it is not defection or "free-riding," but rather cooperation. Although a smaller state contributes disproportionately less, it is cooperation rather than "free-riding," defection, or exploitation as long as the smaller state pays what the larger state expects. Thus, it is more appropriate to describe the above logic and choice of CC in the asymmetric game as "easy-riding"[23] than as "free-riding." This study suggests that the term "easy-riding" be used to explain the smaller ally's disproportionately smaller contribution as a result of latent bargaining.

[23] The term "easy-ride" was first used by Sandler (1993: 451), but he used it as a synonym of "free-ride."

The concepts of defection, cooperation and expectation are crucial in this framework. Defection means "weak commitment and no support in conflicts with the adversary" (Glenn Snyder, 1984: 466). Defection can be applied in both peacetime and in contingencies where support is expected. Yet, the criterion of weak commitment is not objective but depends on the partner's expectation or on previously agreed upon levels (Lockwood, 1985; Glenn Snyder, 1991). The level of the partner's expectation is based on political, military, and economic capabilities (Lockwood, 1985) and on the perception of interests (Glenn Snyder, 1991). Contextual factors at the domestic and state level affect the partner's expectation. The concept of expectation is also important to distinguish cooperation from defection. If a state acts in accordance with its partner's expectation or adjusts its behavior to the partner's expectation, it is cooperation. In this regard, Keohane (1984) argues that "[c]ooperation occurs when actors adjust their behavior to the actual or anticipated preferences of others, through a process of policy coordination" (51). Thus, whether an ally defects from or cooperates with its partner is judged by the level of its partner's expectation or previously agreed levels. If an ally contributes as much as its partner's expectation or meets the previously agreed upon level, it is cooperation. Conversely, if an ally contributes less than the partner's expectation or agreed upon level, it is defection.

The difference between "free-riding" and "easy-riding" is whether the smaller ally can be considered to defect from the larger ally or not. The common attribute is that the smaller ally provides an asymmetrically smaller contribution for defense than the larger ally does. Thus, "easy-riding" is possible when the smaller ally cooperates by paying its

asymmetrically smaller share to a common defense without its defection from its partner and without its partner's pressure or request to increase its defense burden. However, "easy-riding" exists within the bargaining context, though bargaining is never explicit. It is a latent bargaining[24] which tends to change to a tacit or explicit bargaining when the context changes. Latent bargaining is the status or situation of being in a bargaining context without any process of explicit negotiations or actions, whereas tacit or explicit bargaining is considered as a process to achieve a certain goal.

Second, the free-riding perspective does not consider the interaction between state level and domestic level factors as discussed in the earlier part of this chapter. Olson does not sufficiently examine domestic factors such as socio-political constraints and the role of costs in his free-riding model. Many quantitative studies use cost (defense burden) as their sole comparative measure without examining its efficacy (role of costs) closely. Some studies even conclude that a state is a free-rider after having only compared costs. For example, Thies (1987) insists that, in the alliance between France and Czechoslovakia, the data available are consistent with the predictions of the free-riding model. In reaching this conclusion, he relies on comparisons of data concerning the defense burden of the two countries; while defense burdens of France during 1930-1938 showed a decrease from 4.1% in 1930 to 3.5% in 1938, those of Czechoslovakia increased from 2.0% in 1930 to 3.2% in 1938. If the defense burden of a larger country in an alliance is the only determinant of the defense burden of the smaller country, then such

[24] The concept of latent bargaining and the distinction between latent bargaining and tacit bargaining is discussed in the last part of this chapter.

a finding is correct.

However, as discussed earlier, there are other factors that affect the defense burden. To overcome this problem, the domestic factors of each country as well as its defense burden and state level factors should be considered. In other words, the value of maintaining the alliance and other domestic socio-political constraints should be considered as well. With consideration of interest aspect and of state and domestic level factors, the nature of the defense burden-sharing relationship between or among allies can be more accurately determined. These additional factors also help us understand why the cost pair of 2,5 discussed above represents cooperation rather than defection or free-riding.

Third, the free-riding perspective does not consider the possibility of allies' voluntary contributions to an alliance. As discussed earlier, voluntary behavior can be understood in two different contexts, pursuit of self-reliance motivation by a fear of abandonment and desire for private goods. Fear of abandonment[25] under the anarchical context of the international system forces allies to voluntarily allocate more to the defense sector to achieve self-reliance. In an anarchical international system, smaller allies who depend on the stronger ally worry about the risks of abandonment because there is no reliable authority to enforce contracts and commitments (Goldstein, 1995). Thus, the fear of abandonment limits confidence in collective security and decreases the attractiveness of free-riding. Instead, fear of abandonment enhances allies' voluntary contribution to the alliance by motivating allies to seek self-reliance. The other is the

[25] Glen Snyder (1984) first labeled it.

presence of private goods provided by contributing to the alliance. Allies are more likely to contribute to the alliance when more private goods are produced by spending on defense. The free-riding theorists do not consider these facts which are important characteristics of alliance.

Finally, the concept of "free-riding" is brought into question because an alliance that is under the condition of purely public good rarely exists. As discussed in the earlier part of this chapter, the purely deterrent alliance, which relies on pure public weapons, does not exist. Instead, most allies rely on both deterrent and protective aspects of national defense. Thus, there will always be impure public aspects of alliance defense. In addition, private goods or benefits are also provided by alliances. Palmer (1990a) agrees to this theoretical point, arguing that "the purchase of a private good by one ally should not affect the purchase of a private or public good by other allies. States certainly purchase some private benefits from their defense spending" (156). Thus, the "free-riding" model, which depends on the assumption that each ally's defense spending provides pure public good for an alliance, has the weakness of disregarding the existence of impure public goods.

In sum, there are several weaknesses of the "free-riding" model. For example, the "free-riding" model does not consider the existence of allies' voluntary contributions to defense, the impureness of common defense, or the interaction between state and domestic level factors. In addition, an iterated Prisoner's Dilemma game provides the rationale that a smaller ally's disproportionately smaller contribution is not defection but cooperation related to the partner's expectation or previously agreed upon levels. Based

on these arguments, the concept of "free-riding" is undermined and the new concept of "easy-riding," which is the outcome of latent bargaining, is alternatively suggested.

Relaxing the Bargaining Model

There are two different ways of understanding bargaining. One of these grows out of the tradition of political realism and can be called the "strategic perspective" or "power approach." The power approach relies on the realist argument that international politics can be understood as the pursuit of interests defined in terms of power (Schelling, 1963). Rationality and coercive bargaining are the emphasis of this perspective (Leng, 1993). The purpose of this perspective is to find out how to win rather than how to mutually satisfy.

More specifically, neorealists (and realists more generally) are pessimistic about bargaining among states. Neorealists argue that the military power of the larger state enables it to coerce other states to cooperate for its own favor. Thus, they believe power is the critical element for bargaining among states and do not give any weight to intra-alliance bargaining as an important process for achieving cooperation among allies.

The other way of understanding bargaining is termed the "interests approach" by Fisher and Ury (1983). According to this approach, the purpose of bargaining is not to find out how to win, but rather to find out how to mutually satisfy. One of their main arguments is to focus on interests, not positions. According to this perspective, military power cannot always be transformed into bargaining power. Threats and coercion are not

enough and are seen as failures of influence (Fisher and Ury, 1983). Instead, there are many other factors that influence bargaining power. For example, "how much influence one or another party is able to bring to bear depends on the issues at stake, which representatives of which actors are participating in the decision-making and bargaining, and the forum in which the bargaining takes place" (Leng, 1993: 114). Neoliberal institutionalists rely on this perspective and argue that an alliance has valuable functions. In addition, power is not the critical element for intra-alliance bargaining, but is just one of many factors. This study adopts the more dynamic intra-alliance model of bargaining (including latent, tacit, and explicit bargaining) and focuses on many domestic and state level factors.[26]

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[26] A wide variety of factors contribute to latent, tacit or explicit bargaining. For example, the nature of actors and bargainers, the perception of other actors, issues, and the status of third parties are important factors that impact on the outcome of bargaining. First, capability as well as past experiences and interests of actors can be considered as elements of the nature of actors. Regarding these factors, Mitchell (1980) argues that the status of parties in conflict has an important impact upon what is discussed, the way it is discussed, and the outcome of bargaining. Schelling also argues that the "outcome depends greatly on what analogies or precedents the definition of the bargaining issue calls to mind" (1963: 69). Second, the nature of bargainers can be an important factor that impacts on the outcome of bargaining. Putnam (1988) argues that "the greater the autonomy of central decision-makers, the larger their win-set and the greater the likelihood of achieving international agreement" (449). Schelling (1963) and Mitchell (1980) also maintain that giving negotiators complete flexibility and authority is a well-known principle and that the nature of negotiator contributes to the success or failure of bargaining. Third, the perception of other actors is also an important factor in the outcome of bargaining. Fisher and Ury (1983) argue that "understanding the other side's thinking is not simply a useful activity that will help you solve your problem. Their thinking is the problem" (22). Schelling (1963) also contends that "the outcome is determined by the expectations that each player forms of how the other will play....The players must jointly discover and mutually acquiesce in an outcome or in a mode of play that makes the outcome determinate" (197).

Though much of international relations literature on cooperation has viewed the bargaining process as the most common way to achieve cooperation among states, intra-alliance bargaining was given little attention until the early 1990s.[27] Palmer (1990a) uses the assumption of public goods theory and the analogy of the Prisoner's Dilemma to provide the logic for the intra-alliance bargaining process. As discussed in the previous chapter, his argument is that the "smaller members will increase (or decrease) their contributions to the supply of the good as the largest power increases (or decreases) its contributions" (1990a: 162). He uses the logic of the Prisoner's Dilemma as a metaphor for bargaining among allies. According to the "Tit-For-Tat" strategy, mutual cooperation is the most likely outcome among allies' options. Consequently, there will be a positive relationship between changes in the defense burden of the largest ally and that of its allies. In other words, the allies will change their defense burdens in the same direction as the largest ally. Palmer then provides the basis for a logic of cooperation among allies through the bargaining process.

This study, however, goes further and provides a broader concept of the bargaining process in alliances, relaxing Palmer's bargaining model. More specifically, this study first suggests that smaller allies do not necessarily adjust their defense burdens in the same direction as that of the larger ally. In addition, latent and tacit bargaining as well as explicit bargaining are considered as parts of the broader concept of the

[27] Reisinger's (1983) study is an exception. He argues that Olson-Zeckhauser's free-riding model cannot explain the burden-sharing patterns of WTO in the 1970s. Instead, he argues that political intra-alliance bargaining provides a better model for explaining the pattern of Soviet-East European relations..

bargaining in alliances.

First, the asymmetric Prisoner's Dilemma provides the explanation for bi-directional changes by smaller allies. While Palmer relies on the symmetric prisoner's dilemma to explain the positive relationship between the defense burdens of the largest and smaller allies, this study uses the asymmetric Prisoner's Dilemma. It attempts to point out the weakness in Palmer's argument and to argue that the direction of changes (e.g., positive or negative) in a smaller ally's defense burden is not necessarily the same as that of the larger ally.

Game C and Game D in Figure 2-3 represent two different types of games played by the larger ally and the smaller ally during different periods. For now, let us say the countries are the U.S. and South Korea during the 1960s and 1990s. Since the 1960s, cooperation has existed between these two countries. During the 1960s, South Korea contributed the value of 2 because of its weak economy (Game C). In contrast, the U.S. disproportionately paid the value of 6 because of material, solidary, and purposive incentives (e.g., feeling responsibility for managing Third World countries). Though South Korea had few resources, it paid the value of 2 to meet U.S. expectations. Because of strong strategic and political incentives for the U.S., the U.S. voluntarily paid the value of 6 without explicit bargaining and expected or agreed upon a contribution of 2 from South Korea.

In the late 1970s, however, as a result of changing domestic and international contexts, the U.S. could not afford to pay the value of 6, and consequently decreased its

Game C	US	
SK	**2, 6**	10, 2
	1, 9	8, 7

Game D	US	
SK	**4, 5**	9, 2
	2, 8	6, 7

Figure 2-3: Asymmetric Prisoner's Dilemma
Notes: Both games satisfy preference ordering of PD, that is, DC>CC>DD>CD. Each number represents the size of cost (defense burden).

contribution to 5 and coerced South Korea to pay more than before. This situation is represented by Game D. As a result, South Korea increased its defense burden from a value of 2 to 4, even though the U.S. decreased its defense burden only from 6 to 5. During the 1980s and 1990s, this asymmetric cost-pair (4,5) continued (i.e., Game D). If these changes were the results of negotiated agreements, they might be understood as the results of explicit bargaining. Thus, the direction of change (e.g., positive or negative) in the defense burden for the smaller allies is not necessarily the same as that of the larger ally.

This study considers tacit bargaining and latent bargaining as well as explicit bargaining (formal negotiation) as important aspects of the bargaining. Explicit bargaining may be defined as a process of diplomatic exchanges or formal negotiations intended to reach an agreement (Mitchell, 1980; Downs and Rocke, 1990). In contrast to explicit bargaining in which the goal is to reach an agreement, tacit bargaining seeks to achieve or maintain a cooperative status quo (Langlois and Langlois, 1996). Tacit

bargaining was first discussed by strategists such as Schelling (1960) and Osgood (1962). Later Mitchell (1980) characterized tacit bargaining as "a process leading up to (and directed towards) a final negotiation" (197). However, the detailed concept and the wide scope of situations in which tacit bargaining can occur were provided by Downs and Rocke (1990) who define tacit bargaining as follows:

> Tacit bargaining takes place whenever a state attempts to influence the policy choices of another state through behavior, rather than by relying on formal or informal diplomatic exchanges. The process is tacit because actions, rather than rhetoric, constitute the critical medium of communication. It is bargaining and not coercion because the actions are aimed at influencing an outcome that can only be achieved through some measure of joint voluntary behavior (3).

Tacit bargaining, thus, can be characterized as a process that relies more on actions than communications or face-to-face negotiations. The study conducted by Langlois and Langlois (1996) also presents empirical validation of the tacit bargaining in the alliance context based on the case study of relations between Japan and the U.S.

In short, tacit bargaining is a process that relies on actions intended to influence the allies' policy through voluntarily changes. The iterated Prisoner's Dilemma is one archetypal tacit bargaining situation (Downs and Rocke, 1990; Langlois and Langlois, 1996). Thus, the tacit bargaining structure requires that "fear outweighs temptation" and that "decisions are made repeatedly in time with no precise expectation of whether or when the game could end" (Langlois and Langlois, 1996: 573-574).

Of course, pure tacit bargaining is rare. Instead, states often link action-based tacit bargaining with communication-based formal or informal negotiations (Downs and

Rocke, 1990). In short, tacit bargaining is one of several types of bargaining used by this study to examine bargaining among allies on the defense burden.

Latent bargaining is another aspect of bargaining between or among allies. Latent bargaining results when one is in a bargaining context in an alliance without the support of any action or overt negotiation. It is not a process but a situation. Whenever an alliance is formed and comes into effect, latent bargaining begins to occur. In other words, latent bargaining always exists in the alliance context. Carpenter (1992) describes the existence of latent bargaining in the alliance context, although he categorizes it as tacit bargaining. He argues that:

> During the 1950s the United States established an elaborate network of alliances and bilateral security agreements with nations on the perimeter of the Soviet Union. The tacit bargain between the United States and its newly acquired allies, clients, and protectorates was that Washington would shield (with conventional and, if necessary, nuclear weapons) those countries from Soviet aggression. America's dependents, in turn, would provide bases for U.S. forces and augment U.S. military strength with their own forces if deterrence failed. Although the bargain was never stated in such crass terms, that was always its substance (1992: 5).

This study characterizes the above situation not as tacit bargaining, which presumes a process, but as latent bargaining, which merely refers to a situation. Although the bargaining is not stated in explicit terms, allies are in the bargaining context as long as the alliance exists. In the alliance context, latent bargaining always exists unless an action or explicit negotiation is undertaken to change the behavior of other allies. The status of latent bargaining tends to change to tacit or explicit bargaining when the context changes. In other words, when respective Win-Sets no longer overlap due to changes in contextual factors, action or negotiation begins to occur, and latent bargaining changes

into tacit or explicit bargaining. Table 2-1 shows the comparisons of these different types of bargaining.

In sum, this study is based on the logic of Palmer's bargaining model in alliances, but broadens the concept of bargaining and relaxes the bargaining model. This study first suggests that the smaller ally does not necessarily change its defense burden to follow the direction of that of the larger ally. In addition, this study includes latent and tacit bargaining along with explicit bargaining as part of the bargaining on the defense burden between or among allies. Finally, this study argues that the relaxed bargaining model is the better model to account for cooperative behavior between allies on the defense burden.

Table 2-1
Comparison of Latent, Tacit and Explicit Bargaining in the Alliance Context

Type of Bargaining	Differences in Form and Goal	
Latent	Situation	-No formal or informal action or negotiation
Tacit	Process	-Goal is to achieve or maintain a cooperative status quo -Relies on actions rather than formal negotiation
Explicit	Process	-Goal is to reach an agreement -Relies on diplomatic exchanges or formal negotiations (some form of direct or face-to-face contact)

CHAPTER 3

ANALYTICAL FRAMEWORK

In the previous chapter, the value of the free-riding model was discounted in favor of the relaxed bargaining model, which includes latent, tacit, and explicit bargaining, and implies the possibility of bi-directional changes of smaller allies' defense burdens. This chapter provides the framework necessary to determine whether the relaxed bargaining model is applicable to the case of the U.S.-South Korean alliance. It discusses the methods and variables used to examine the defense burden-sharing relationship in the alliance. Based on the logic of two-level games, the thick concept of "win-sets" is introduced, and the concepts and measurements of contextual factors such as threats, economic conditions, interests, political and public support in the U.S., and bureaucratic politics (in South Korea) are discussed.

Two-Level Games: Win-Sets

The logic of two-level games was discussed and valued as a useful perspective in the previous chapter. In this chapter, the concept of win-sets, which is the core of two-level games and used as a tool to analyze bargaining outcomes in this study, is discussed.

The term "win-set" was first used by Putnam (1988)[1] in the international arena and defined as "the set of all possible Level I agreements that would 'win'" (437).[2] Decision-makers, for example, have to be concerned about domestic ratification, a concern that constrains their ability to make an agreement. According to Putnam's argument, "ratification" refers to any decision process at the domestic level which is necessary to endorse an international level agreement (436). However, by this term Putnam refers not only to a congressional function but also to actors at the domestic level such as "bureaucratic agencies, interest groups, social classes, or even public opinion" (436).

The contour of the win-set has two important attributes for international bargaining. If there are more constraints domestically, the win-set for that country will be contracted and there will be a greater risk of failure to reach an agreement internationally. Conversely, the larger overlap of respective win-sets makes successful outcomes of international-level bargaining more likely (Putnam, 1988). In short, the outcomes of bargaining (e.g., agreement or cooperative status quo) at the international level are more likely achieved when those win-sets largely overlap.

Another important attribute of the win-set is that "the relative size of the respective Level II win-sets will affect the distribution of the joint gains from the

[1] In fact, the term "win-set" was used by Shepsle and Weingast (1987) for domestic politics to explain the institutional foundations of committee power. They define win set as "the set of alternatives in X [*policy jurisdictions*] that command majority support over x [*an agent's ideal point*]" (90).
[2] It can also be differently defined as "the range of outcomes acceptable to empowered domestic constituents" (Berejikian, 1996: 4).

international bargain" (Putnam, 1988: 440). It is possible, therefore, for a small win-set to be an advantage in the bargaining process over a bargaining partner. For example, a negotiator who has a small win-set can emphasize his many domestic constraints and so push his or her partner into agreement. Bennett et al. (1994) explain these dynamics of the intra-alliance bargaining process by arguing that "a smaller ally's negotiators in turn may invoke this pressure at home to build support for a contribution or to soften the larger ally's demands by citing domestic constraints" (44).

This study uses the thick concept of win-sets, which shares with Putnam's concept of win-sets. The basic assumption that facilitating factors and constraints decide the size of win-sets which in turn affect the outcome of bargaining, is the same. However, the thick concept of win-sets, denoted as "Win-Sets" in this study, includes more diverse factors as determinants. While Putnam's win-sets mainly concern domestic games among domestic constituents, Win-Sets consider situational factors at the state as well as at the domestic level. More specifically, in this study, threat and interests at the state level are considered along with domestic constituents as determinants of Win-Sets.[3] In short, while "win-set" represents the range of acceptable outcomes at the domestic level constructed by domestic constituents alone, "Win-Set" represents the range of acceptable outcomes at the state level decided by factors at both the domestic and state levels.

In general, external pressures account for states' incentives to contribute to alliances, but domestic constraints explain their ability to do so (Bennett et al., 1994).

[3] Specific reasons for including these factors are discussed in the following section.

Thus, in this study, in order to figure out the size of Win-Sets, both state level factors and domestic constraints so that political leaders' incentives and ability to contribute may simultaneously be determined.

For example, in Figure 3-1, if ally B's interests in an alliance are considerable, the possible range (i.e., B's Win-Set) where it will accept ally A's defense burden will be large, *ceteris paribus*. The reason is that ally B is more willing to spend or contribute to a common defense and is less concerned about ally A's defense burden if it expects to continue to enjoy current interests or to acquire more. In addition, if there are less significant domestic constraints for ally B, its Win-Set will be larger, that is, b1 in Figure 3-1.

Conversely, if ally B's interests are less significant, its Win-Set which can accept ally A's defense burden, will be smaller because ally B has less incentive to spend or contribute to a common defense. In addition, if there are some domestic constraints, its Win-Set which accepts ally A's defense burden will be smaller, that is, b2. In short, facilitating factors and constraints affect the size of Win-Sets. Unless the alliance breaks down, ally A's defense burden should fall within the overlapped zone (between b1 and a1 or b2 and a2). Thus, Figure 3-1 can explain the shift of Win-Sets from P1 to P2 when changes in domestic and international factors occur.

Perception of external threat has a more complicated relation to the construction of Win-Sets. Of the two allies, if ally A's perception of threat increases, A tends to spend more for defense regardless of B's behavior on defense spending. Ally A may request

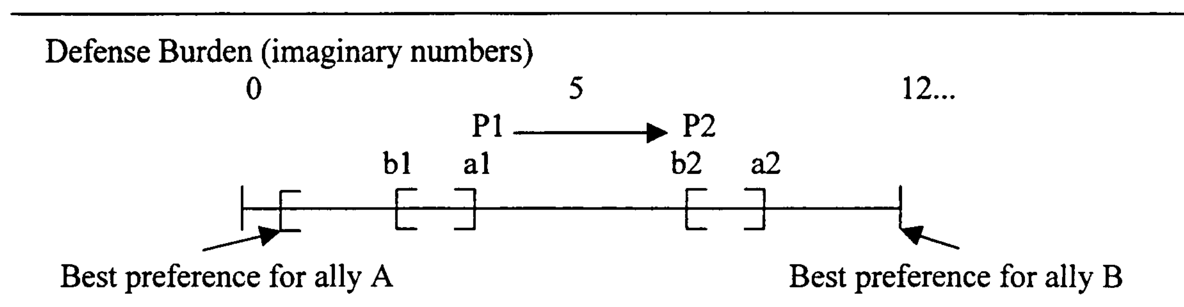

Figure 3-1: The Shift of Win-Sets on Defense Burden for Ally A

that ally B contribute more to a common defense, and ally B may or may not comply. The complexity here is that ally B's perception of threat may be lower than A's. If ally B's estimation of threat is honest, B is not at fault (Knorr, 1985). Another complexity is that ally B may understate its estimation of the threat so to justify not increasing or even decreasing its defense burden. However, the U.S.–South Korean alliance does not present such a complex case because the evaluation of threat was conducted through tight cooperation and especially because South Korea heavily depends on the information produced by U.S. intelligence units.

The other difference in the thick concept of win-sets (Win-Sets) is that the outcomes of bargaining at the international level and the domestic ratification process are not necessarily formal but could be informal or tacit. Originally, "ratification" referred to any decision process at the domestic level which is necessary to endorse an international-level agreement (Putnam, 1988: 436). However, Putnam does not limit it to a congressional function, even considering public opinion as one of the actors at the domestic level (436). Furthermore, these ratification processes can be assumed to be an

informal or tacit form, and Berejikian makes this assumption in arguing that "ratification processes differ by regime type but are assumed to exist in one form or another in all regimes" (1996: 4). In this study, the outcomes of bargaining and the domestic ratification processes can be not only formal but also informal or tacit. And the outcome of bargaining can be a one-sided decision-making, due to the tacit bargaining.

This study first investigates significant constraining and facilitating factors at the domestic level as well as the state level. And it analyzes how much each factor significantly functions as a constraint or facilitating factor. There are some difficulties in explaining how factors at both the state and domestic levels combine to determine the size of Win-Sets. The extent to which facilitating factor A expands and constraint B contracts Win-Sets is not simple to determine. Nor is it easy to calculate the size of Win-Sets considering all facilitating and constraining factors at both the domestic and state levels. However, there is a similar problem in Putnam's concept of win-sets, where it is also difficult to measure the size of win-sets decided by domestic constraints and domestic facilitating factors. For example, calculating how much the win-set is affected by company A which may face low costs as result of the agreement, and by company B which is A's competitor and may face high costs, is similarly difficult.

Variables and Contextual Factors

Dependent and Intervening Variables: Defense Burden[4]

The defense burden of South Korea, measured as its defense expenditures as a percentage of its GNP, is a dependent variable and the target of preferences for each country in the Win-Sets. This study sets out to examine whether the defense burdens of South Korea fall within the overlapped range of Win-Sets for each country. The U.S. defense burden, measured as overall U.S. defense expenditures as a percentage of its GNP, is used as an intervening variable.[5] This is because some of the domestic factors such as public opinion or congressional activities affect the dependent variable through the U.S. defense burden. For example, the high rate of cuts in congressional appropriation of defense spending or public opposition to a high level of defense spending negatively affects the U.S. defense burden. As a result, the U.S. may decrease its defense burden and pressure South Korea to increase its defense burden in order to maintain the status

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[4] Defense burden is more specifically defined and methods for its measurements are discussed in Chapter 1.

[5] There may be validity problems with this variable as an indicator of U.S. concerns about the alliance between two countries. Because only part of total U.S. defense expenditure is used for this alliance, we need to assess this variable. When we look at U.S. troop presence in Korea, we see a direct correlation with its defense burden. During the 1960s ---when the defense burden was over 8%---the troops numbered more than 60,000. When the defense burden decreased, during the late 1960s and 1970s, the troop numbers also decreased, from 67,000 in 1968 to 39,000 in 1979. When the defense burden increased during the Reagan administration, the troop presence also increased. In the 1990s, when the defense burden decreased, the troop presence level also decreased to 35,000 in 1993 (DOD, *Annual Report,* 1982 and 1995: Appendix). We can also assume that a high level of troop presence creates new expending since 34% of defense expenditures is used for personnel (salaries and benefits) (Ullman, 1995: 32 and 35). Thus, we can say that the defense burden of the U.S. indicates the level of concern about the alliance between the two countries.

quo. As discussed in Chapter 1, defense burden-sharing is the cooperative behavior among allies intended to allocate the financial and intangible costs and benefits of defense burden. Such defense burden-sharing is far more complex to measure. The most frequently used measurement in both the theoretical and the practical literature is the ratio of defense expenditures to GNPs.[6] However, in the 1980s, the U.S. began to use cost-sharing as an alternative measurement in bargaining with its allies. Cost-sharing maybe simply defined as sharing the costs of maintaining U.S. forces in its allies. The former measurement is mainly used in this study because most literature on the economic theory of alliances, which are the main theoretical concern of this study, uses it. This study also uses the latter measurement for the last bargaining case which was conducted between two countries in 1988 because it was more directly discussed in the bargaining between the two countries.

Contextual Factors

Not all the contextual factors are equally applied to each country, since the domestic social and political contexts in each country are different from each other and differently affect decision-making on defense burdens. During the 1960s and 1970s, decision-making on the defense burden in South Korea was largely in the hands of a small group of people and was more affected by other than political or social pressures.[7]

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[6] For more information about these debates, see Chapter 1.

[7] This does not mean that other domestic or state level factors were not influential at all in the decision-making on the defense burden. Some state level factors and other domestic factors such as economic conditions were influential.

Park's government even restricted debates on defense policy including defense spending. In other words, bureaucratic politics did not play a significant role in decision-making on defense spending (Hyun, 1990). In addition, neither public opinion nor debate in the National Assembly (the equivalent of the Congress of the U.S.) were influential in South Korea, at least in the defense policy arena. In short, South Korea's political structure was insulated from social and political pressures (Haggard and Moon, 1990). Thus, these factors have been excluded in this study in regard to South Korea. However, in the 1980s and 1990s, bureaucratic politics became an influential factor in the decision-making process on defense policy. Thus, for South Korea, only bureaucratic politics will be considered for the last case of bargaining which took place at the 20th SCM in 1988.

Threat

One of the standard explanations of defense spending relies on the action-reaction model. It is based on the assumption that one country's defense expenditure is reactive to the level of its threat perception, to its evaluation of its adversary's hostile military actions, defense spending and armament stockpiling. The action-reaction approach was pioneered by Lewis F. Richardson (1960) and has been supported by many studies (Rathjens, 1969; Chatterjee, 1974; Ruloff, 1975; Hollist, 1977; Mintz, 1986; Park, 1986).

The same logic of action-reaction has been applied to alliances. The level of threat perceived by allies affects burden sharing among allies---each ally would attempt to increase its armament proportionately to the level of threat (Knorr, 1985; Bennett et al., 1994; Forster, 1997). Bennett et al. (1994) argue that, setting aside the ability to pay,

the degree of threat a nation perceives will affect political leaders' incentives to contribute to an alliance. Klaus Knorr, believing that burden sharing among allies can be partly understood by the perception of threat, argues as follows:

> ...the very notion of fair burden-sharing is highly sensitive to agreement on the magnitude (and quality) of the required effort. Such assessment naturally hinges on the level of acuity and severity of the perceived external threat (1985: 520-521).

Forster (1997) also argues that "a state's willingness to share the burdens of cooperative behavior is directly related to its perceived threat resulting from the crisis" (2-3).

In this study, threat is conceptualized as military threat and it is formalized as the product of an adversary's capability and intention (Singer, 1958; Banchoff, 1989; Roehrig, 1995). Singer argues that "each perceives the other as a threat to its national security, and such perception is a function of both estimated capability and estimated intent" (94). Banchoff (1989) also argues that a threat perception must have two components: "capability to do harm and hostile intent" (83). In addition, military capability must be assessed as a relative concept by comparing a state's capability against the capability of the opponent (Morgenthau, 1973; Choucri and North, 1975; Bremer, 1977; Gilpin, 1981; Nutter, 1994).

Of course, threat is not an undisputed concept. A group of scholars question the utility of intention and instead view military capability as threat (Majeski, 1983; Oneal, 1990b; Nutter, 1994). Nutter (1994) points out three problems with the use of intention: (1) no threat is possible when any nation has intention without capability, but the reverse is possible; (2) any nation can change its intention rapidly; (3) the creation or increase of

military capability can be understood as evidence of intention. His argument is that threat must be viewed as a relative military capability.[8]

It is not important which of these two concepts is closer to the real degree of threat or to an objective sense of threat. The more important and critical question is how foreign policy decision-makers perceive threat. The degree of perception of threat is more important than the real degree of threat. Even misperception of threat is effective until it is corrected. U.S. foreign policy decision-makers calculate the perception of threat using military capability and intention (Roehrig, 1995). Thus, this study will also base its concept of threat on relative military capability and intention.

The source of threat for the U.S. and South Korea is slightly different. South Korea has long been concerned about the direct threat from North Korea, while the source of threat to the U.S. has been more complicated and has changed over time. The U.S. perception of threat stemmed from its uncertainty and fear as to what North Korea and its patrons China and/or the Soviet Union might do. Yet, each of these has weighed differently upon the U.S. perception of threat. By the 1960s, U.S. officials did not believe that North Korea had the capability to attack alone (Roehrig, 1995) but only when strongly supported by China and/or the Soviet Union. Thus, hostile behavior by North Korea was perceived to be origin with its patrons.

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[8] The possibility of military engagement, of course, is a necessary condition for the perception of military threat. For example, the military capability of North Korea cannot be a threat to any country in Africa. Nutter (1994) labels this possibility of military engagement a "force interface." Generally, there is a force interface when one or both of the nations have an overseas power, or both nations are physically contiguous. In this study, force interface exists between the United States and the Soviet Union or China, and South Korea and North Korea.

Yet, in the 1970s, North Korea received less support from the Soviet Union and China and became less dependent on those patrons due to the Sino-Soviet dispute, the Cuban Missile Crisis, and the mood of détente among the superpowers. Thus, North Korea, China and the Soviet Union are considered as sources of threat for the U.S. during the 1960s and 1970s, while North Korea alone is used as the source of that threat during the late 1980s.

It is even more difficult to determine how to measure military capability and intention. Most scholars agree that the best measure of capability is military expenditure (Choucri and North, 1975; Ashley, 1980; Wallace, 1982; Allan, 1983; Majeski, 1983; Oneal, 1990b). Oneal (1990b) argues that the defense burden (the ratio of military expenditure to GNP) of the adversary's is a measure of its military capability and so indicates the degree of threat. Using this notion, he takes the defense burden of the Soviet Union as an indicator of Cold War intensity, labeling it the "Cold War Index."

However, in this study, the military expenditures of North Korea relative to those of South Korea will be used as the first indicator of military capability. However, the relative military expenditure of North Korea alone is not enough to measure military capability for the following two reasons. One is that military expenditures for North Korea cannot be obtained except as a roughly estimated value. The other is the that threat from North Korea is often perceived more intensively due to chemical weapons which are not limited by the size of its military expenditures. Thus, in this study, in

addition to the military expenditures, conventional weapons including combat forces and chemical weapons will be analyzed to indicate the threat from North Korea.[9]

In calculating threat in this study, static analysis, which consists of a comparison of aggregate peacetime inventories of major weapon systems (e.g., tanks, ships, and fighting aircraft) is used instead of dynamic analysis, because it is the simplest and most frequently used method for comparing military capabilities. Dynamic analysis, which considers the political, economic, and geographical environment of the theater, and military principles and doctrines, terrain analysis and historical experience is not considered in this study.[10] The study opts against dynamic analysis because some of the political and economic factors are considered in the following part as separate factors, and because the objective assessment of other operational elements such as warning, readiness, geography, tactics, logistics, troop skills, and combat technology is not easy. In other words, objective comparisons of the quality of armed forces and weapon systems are very complicated. Thus, this study only roughly compares the number of armed forces and the quantitative aspect of weapons systems in addition to the military expenditures.

In addition to measuring the capability of the opponent, it is also important to measure the intention of the adversary. If any nation has an intention to attack, it is possible to assume that it has an objective which conflicts with that of the defender and a willingness to achieve those goals by force (Roehrig, 1995). Of course, as already

[9] Possibility of possessing and using nuclear weapon was revealed in the early 1990s. Thus, it will not be discussed here because it is not in the time frame.
[10] For more information about dynamic analysis, see Epstein (1985).

discussed, there is ambiguity in measuring intention. Yet, intention can be deduced from the hostile behavior. Roehrig (1995) suggests measuring intention by observed behavior, arguing that "It is possible to argue that infiltration and subversion were merely a prelude to an invasion" (90). Thus, this study will use hostile behavior of source country to measure the intention as a part of threat.

In sum, the military expenditures as well as the conventional weapons of the adversary will be used to measure military capability. The adversary's hostile behavior will also be used to measure its intention. These two components represent the degree of threat.

These data are from the *Military Balance,* published by the International Institute for Strategic Studies (IISS) and *World Military Expenditures and Arms Transfers* (*WMEAT),* published by the Arms Control and Disarmament Agency (ACDA). In addition, documents from the *Annual Report to the Congress* by the Secretary of Defense are used, as are *Public Papers of the Presidents of the United States* and *American Foreign Policy: Current Documents,* published by the Government Printing Office. These documents tell us which countries the U.S. administrations perceived and evaluated as a primary adversary.

Economic Conditions

Some scholars argue that economic capability in terms of GNP positively affects defense expenditures (O'Leary & Coplin, 1975; Zinnes, Gillespie & Schrodt, 1976;

Cusack & Ward, 1981; Looney, 1986; Harris, 1986).[11] General economic performance (i.e., economic boom and bust of the national economy) is also one of the important determinants for decision-making on foreign policy in general, and defense spending in particular. Duke (1993) argues that "there has been an explicit or implicit link between military expenditure and the general performance of the economy" (84). Moon and Hyun (1992) also empirically find that the trend in defense spending in South Korea shows sensitivity to the "boom and bust" cycles of the national economy. The logic is that a country with a large economy or rapid economic growth can afford to support a high level of military expenditure. However, this study is concerned with the defense burden, that is, with the ratio of defense expenditure to GNP, not with the magnitude of defense expenditures. The denominator of the dependent variable, defense burden, is the size of the GNP. If the size of the GNP is used as one of the independent variables, it interacts with dependent variable. Thus, instead of the size of the GNP, relative economic capability is a better indicator of the economic condition within the alliance.

In a similar vein, Oneal (1990b) argues that "a nation's economic size must be calculated relative to those of its allies" (432). The relative economic capability of each country is a more relevant indicator of the economic condition of each ally. The United States uses the share of relative economic capability (i.e., GDP share) as one of the indicators of the ability to contribute to an alliance.

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[11] There is some dispute about the direction of the causal relationship between economic factors and military expenditures. Some scholars argue that defense expenditures impact on the economic development. For a more detailed discussion about positive and negative impacts on economic growth, see Heo (1998). Yet, the focus here is on how the domestic economic conditions affect the defense burden.

However, relative economic capability is not enough to fully indicate the degree of ability to contribute to an alliance because it does not consider per capita GNP or GDP. In general, per capita GNP or GDP is a widely used index of economic development and a possible measure of a nation's ability to contribute to collective defense. Based on this notion, the U.S. Department of Defense uses GDP share and the relative size of per capita GDP to estimate the economic ability of each ally to contribute to the alliance (Secretary of Defense, Carlucci, 1988). The United States also previously used the Prosperity Index, calculated simultaneously from both GNP and GNP per capita, for burden-sharing bargaining with its allies (ROK, MND, *Defense Burden-Sharing*, 1989). Oh (1989) also uses the Prosperity Index as one of the indicators to calculate each ally's fair share of the defense burden. In short, this study uses GNP share and the relative size of the per capita GNP to partly indicate economic capability. The Prosperity Index calculated from these two indicators is also considered.

Budget deficits are another indicator of economic conditions considered here. Budget deficits or surpluses play a role in defense plans (Hildreth, 1985; Epstein, 1987; Cordesman, 1990; Adams, 1994). Epstein argues that a high level of federal deficit is "the single most powerful downward pressure on the defense budget" (1987: 2). For example, the historic high budget deficit was one of the reasons why conflict arose when the Reagan Administration attempted to secure a large defense buildup (Hildreth, 1985). During the first period of the Reagan Administration, the annual average of the budget deficit was about $150 billion, which was about 5% of the GNP. Congress wished to reduce the amount of deficit and so reduced defense spending. In late 1985, the Senate

adopted the *Gramm-Rudman-Hollings Balanced Budget Act* (Title II of PL. 99-177) called "*Balanced Budget and Emergency Deficit Control Act of 1985*" (*United States Statutes at Large*, 1985: 1038). It was proposed to reduce the federal budget deficit for each of the fiscal years from 1986 through 1990 until zero was reached in 1990. Cordesman (1990) argues that U.S. budget deficits are one of the key factors for defense burden-sharing bargaining with its allies. Thus, this study uses budget deficit (or surplus) as the percent of the GNP to partly indicate the domestic economic condition.

These economic data are obtained from the following references: *International Financial Statistics Yearbook*, published by the International Monetary Fund; *World Tables* of the World Bank; *Datapedia of the United States* by Kurian; *National Accounts* (1975) by The Bank of Korea. The Prosperity Index for South Korea is South Korea's share of the total Prosperity Value of all the allies (U.S. and South Korea). The Prosperity Value of South Korea is calculated by multiplying South Korea's GNP share by a ratio of South Korea's per capita GNP as a percentage of the U.S. per capita GNP. The Prosperity Index for U.S. is calculated by the same method.

In sum, the relative economic capabilities, measured by the GNP share, the relative size of the per capita GNP, and the Prosperity Index of South Korea and the U.S., are used as indicators of economic conditions and to determine capability. In addition, budget deficit (or surplus) is used as another indicator of economic condition.

Political and Public Support (U.S.)[12]

Decision-making in foreign policy is partly determined by political and public support. A successful foreign policy must usually but not always be supported by the Congress and the public. In this study, public opinion and the role of the Congress are used to evaluate the degree of public support for the foreign policy regarding defense burden sharing.

There has been a long debate about the relationship between public opinion and foreign policy. While Wilsonian liberals argue that public opinion is an important factor in determining foreign policy because of democratic norms, realists contend that public opinion rarely affects foreign policy.[13] Recently, however, the nature of the linkage between public opinion and foreign policy decision-making or international bargaining has been emphasized (Graham, 1988 and 1989; Wittkopf, 1990; Jentleson, 1992; Hinckley, 1992; Page and Shapiro, 1992; Powlick, 1995; Foyle, 1997; Nincic, 1997; Bardes, 1997). These researchers argue that public opinion is fairly stable and structured and so can be an influential factor in decision-making on foreign policy. Their empirical studies contend that public opinion often limits the range of policy options because officials are concerned about the next election. Neither the President nor Congress can

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[12] As mentioned earlier, political and public support for South Korea are not considered because decision-making on the defense burden has been largely in the hands of small group of people and is affected by other than domestic politics or social pressures. However, in the 1980s, bureaucratic politics became an influential factor in decision-making on defense policy. Thus, for South Korea, bureaucratic politics is considered in the last case of bargaining in 1988.

[13] For a more extensive discussion of this debate between liberals and realists, see Foyle (1997).

do very much in foreign affairs without the support of the public. They believe, as Putnam implies,[14] that public opinion tends to create certain limits for decision-making. Thus, public opinion can be an advantage for bargaining with allies at the international level.

More specifically, levels of defense spending are also partly affected by public opinion (Kriesberg and Klein, 1980; Bartels, 1991; Hartley and Russett, 1992). Bartels' investigation (1991) of the relationship between public opinion and defense spending during the Reagan administration suggests that public opinion is a powerful factor in decision-making on defense spending. Hartley and Russett (1992) also find significant evidence that public opinion influences defense spending.

How should public opinion be observed or measured? In this study, the public attitude toward internationalism and defense spending will be examined. Popular preferences on these two issues affect bargaining among allies on defense burden-sharing. For example, if the U.S. executive branch is pressured to decrease defense spending by the public, the U.S. government cannot provide enough support to its allies. Consequently, the U.S. has to request that its allies increase their defense burdens to maintain the status quo. By the same token, if the U.S. government does not have public support for taking an active role in world affairs, it decreases security assistance to its allies. As a result, the U.S. may push its allies to increase their defense burden. Historically, it has been observed that changing trends in internationalism are consistent

[14] Although Putnam (1988) implies public opinion as a secondary constraint, he does include public opinion on his list of domestic constraints.

with the expansion and reduction of the number of U.S. military installations abroad and of foreign assistance programs.

The National Opinion Research Center (NORC) has routinely conducted an annual General Social Survey including questions relating to these issues. Two survey questions conducted by NORC are used: "Do you think it will be best for the future of this country if we take an active role in world affairs, or if we stay out of world affairs?" and "Do you think we are spending too little, too much, or about the right amount?"

Another significant factor is the domestic constraint posed by Congress. It is clear that Congress's role in foreign policy is considerable. As many studies argue, Congress can be considered a domestic political constraint for foreign policy decision-making (Putnam, 1988; Morrow, 1991; Lindsay, 1994). It has a formal role of ratifying agreements made at the international level as well as legislative activities. The impediment posed by Congress can be an advantage for the executive branch in bargaining at the international level. However, no congressional ratification is required for agreements on allies' defense burden. Instead, there are many different types of congressional activities related to defense burden-sharing. Lockwood (1985) discusses four types of congressional activities which might act as informal ratification for defense burden-sharing: Host Nation Support (HNS) for U.S troop facilities and services, an annual three-percent defense spending increase, greater allied cost-sharing, and the imposition of a ceiling on U.S. troop levels in allied countries (1985).

This study examines two dominant activities of Congress: the debate on defense burden-sharing among or between allies, and the appropriation of defense spending. The

defense burden-sharing debate in Congress is directly related to bargaining on burden-sharing with South Korea. Not only the specific burden-sharing debate on South Korea, but also the general burden-sharing debate relating to European allies or Japan will be considered. Although the burden-sharing debate focuses on European allies, it also influences bargaining with South Korea on the same issue. Thus, all the bills including resolutions and amendments discussed for burden-sharing in the Congress will be investigated. Data are mainly from the *Congressional Quarterly Almanac* published by the Congressional Quarterly Inc. for the period of 1961-1972, and *Thomas Databases* provided by Sovereign Hill Software for the period of 1973-1987. Reference was also made to Duke's (1993) selected list.

The other congressional activity that will be investigated is appropriation of defense spending. The extent to which the Congress cuts defense spending requested by the Administration is pertinent to bargaining about burden-sharing. On the one hand, it indicates the congressional sentiment toward the Administration's security policy. The more defense spending Congress cuts, the less Congress will be seen to support the Administration's defense policy. On the other hand, if defense spending is far less than requested, the Department of Defense may be limited in the military supplies it needs for its allies. Consequently, an Administration would probably ask its allies to build up more military capabilities to maintain the status quo. Thus, this study will investigate cuts in defense spending for each year. Data are mainly from *Congressional Quarterly Almanac*, fiscal years 1962-1988.

In sum, public opinion on the issue of internationalism and the degree of defense spending are used to represent public support in the U.S. In addition, Congressional debate on defense burden-sharing among allies and appropriation of defense spending are used to represent political support.

Interests

Although the concept of interest is very elastic and ambiguous, it is clear and important that foreign policy decision-makers consider interest as one of the important determinants in choosing the best course of action. For example, President Nixon clearly stated in 1970 in his report to Congress on foreign policy that "Our objective, in the first instance, is to support our **interests**[15] over the long run with a sound foreign policy....Our interests must shape our commitments, rather than the other way around" (1970: 7).

Theoretically, according to Glenn Snyder (1984), one of the important determinants in the context of alliance is "the degree to which the allies' *interests* that are in conflict with the adversary are shared" (474). The interests that allies have in the alliance affect the risk of abandonment or entrapment as well as bargaining on the defense burden. Roehrig (1995) argues more specifically that U.S. policy makers believe the role of interests in South Korea to be important. According to Roehrig (1995), "American decision makers consistently concluded that the maintenance of a security guarantee to the ROK was in America's interest" (148). He implies that if the U.S. did not have any interests or had few interests in South Korea, there would be no need for the

[15] It was emphasized by Nixon.

U.S. commitment. Yet, the greater the interests the U.S. had in South Korea, the more likely the U.S. was to stay committed.

As discussed in the earlier part of this chapter, interests influence the bargaining process between allies as a facilitating factor that enlarges its own Win-Set. The respective interests of the U.S. and South Korea have changed since 1953, the start of the alliance. Thus, it is important to examine the respective interests which have been changing in order to evaluate their roles in structuring the range of the respective Win-Sets.

How do we measure or assess interests? As discussed in Chapter 2, intangible interests such as national prestige, fairness and justice, and ideology will be considered as well as material or tangible interests. Roehrig (1995) provides the concept of and three categories of "interests." The term "interests" refers to "the specific goals and objectives that a state has in a particular region or area of foreign policy" (1995: 148). This study adopts this concept and the categories of security, political, and economic interests which are suggested by Roehrig (1995) to assess the respective interests of the U.S. and South Korea. This categorization is not absolute and some interests overlap.

The first category of interests, security interests, is related to the possibility of an attack by North Korea assumed to be instigated and supported by the Soviet Union and/or China. Both the U.S. and South Korea have security interests that motivate their cooperative behavior in the alliance. Strategic interest that is conceptualized as "an interest in keeping the ally's power resources out of the opponent's hands" (Glenn Snyder, 1984: 472) is an important part of security interests. In addition to strategic

interests, augmentive and preemptive interests are also important in the creation and continuation of an alliance. Fedder (1968: 67) portrays the goals or interests of instituting an alliance as follows:

> (1) Augmentive---A allies with B in order to add B's power to its own in relation to a given outside enemy. A+B>C.
> (2) Preemptive---A allies with B in order to prevent B's power from being added to that of A's enemy. A>C-B.
> (3) Strategic---A enters into an alliance with B "simply" for the purpose of obtaining the use of B's territory for A's strategic purposes (military bases, refueling depots, etc.).

This explanation is useful in determining the nature of the alliance in terms of the interests the U.S. and South Korea have in the alliance. For South Korea, the augmentive interest is the key factor of cooperative behavior. On the other hand, for the U.S., the preemptive and strategic interests are the major factors.

Political interests are more related to Cold War politics such as containment policy and U.S. prestige and credibility with its allies (Roehrig, 1995). This category of interests is more related to intangible interests. For the U.S., expanding and maintaining democracy as well as improving human rights are important political interests. Especially during the Carter Administration, human rights were important interests. Secretary of Defense Harold Brown stated in his report to the Congress that it was an important U.S. political interest to prevent the rest of the world from falling under the control of communist hegemony (DOD, *Annual Report*, 1978). He also stated in his report that the U.S. must take the lead in improving human rights, peace, stability, and democracy abroad as well as at home.

U.S. foreign policy is oriented towards promoting increased respect for human rights, one of the most important political interests. For example, all recipient countries that receive U.S. foreign assistance are under the obligation to promote and encourage increased respect for human rights. The amended *Foreign Assistance Act of 1961* and the *Foreign Military Sales Act* (PL 94-329) clearly state this policy as follows:

> To this end, a principal goal of the foreign policy of the United States is to promote the increased observance of internationally recognized human rights by all countries. It is further the policy of the United States that, except under circumstance specified in this section, no security assistance may be provided to any country the government of which engages in a consistent pattern of gross violations of internationally recognized human rights (*United States Statutes at Large,* 1978: 748).

The last category, economic interest, has been emphasized more since the end of the Cold War. It is important to examine the respective economic interests of allies because security allies are usually trade partners. Literature on the effects of alliances on trade flows provides strong evidence for a positive relationship (Gowa and Edward D. Mansfield, 1993; Edward D. Mansfield and Bronson, 1997). There is also some literature on the interaction between defense burden-sharing and trade (Lockwood, 1985; Cordesman, 1990; Wong, 1991). Especially since the 1960s, the U.S. and South Korea have been important trade partners. Since 1984, South Korea has been the seventh largest U.S. trading partner. Respective economic interests for both allies are an important part of the overall interests which affect the size of Win-Sets. Thus, trade surplus or deficit between the two countries is used as an indicator of economic interest. For example, during the late 1980s, South Korea's enormous trade surplus caused Americans to question the need for continued U.S. subsidization of South Korean defense

and to request South Korea to increase its share of the costs of stationing U.S. forces (Merrit, 1989).

U.S. foreign assistance to South Korea is also considered an economic interest. Since the 1950s, U.S. foreign assistance policy has played an important role in international relations.[16] The Marshall Plan after World War II made significant contributions. After the U.S. military involvement in the Korean War, the Kennedy Administration's *Foreign Assistance Act of 1961* (P.L.87-195) shifted the allocation of foreign assistance from European countries to the more diverse developing countries to assist economic and political development and security. This law (P.L. 87-195) clearly specifies its purpose as "[t]o promote the foreign policy, security, and general welfare of the United States by assisting peoples of the world in their efforts toward economic development and internal and external security, and for other purposes" (*United States Statutes at Large*, 1961: 424).

Although this Act was amended in 1973 to focus on humanitarianism, in the 1980s the Reagan Administration returned to the policy-oriented distribution of assistance (Weaver, 1997). Military assistance was also under the *Foreign Assistance Act of 1961* as the second Chapter in Part II.[17]

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[16] For theories related to foreign assistance policy, see Weaver (1997).

[17] Military assistance consists of grants and credits. There are three primary means by which the U.S. provides assistance: the Military Assistance Program (MAP), Foreign Military Sales (FMS), and International Military Education and Training (IMET). MAP is the dollar amount of material and services programmed for a particular foreign country. The U.S. does not receive any reimbursement from the recipient countries. FMS is the total dollar value of defense articles and defense services purchased with cash, credit, and MAP Merger Funds by a foreign government in any fiscal year. The IMET Program is the dollar value distributed for the training of foreign military students, and the U.S. does

This study considers military assistance as well as economic assistance. Though military assistance might be interpreted as the security interest, this study does not do so because military assistance has significant economic effects, and the security interests this study considers are more related to overall security such as deterrence. Weaver (1997) supports this point of view, arguing that "[t]he military held off the threat from the north [North Korea] and made significant contributions to the construction of roads, bridges, dams, schools, and other projects crucial to the progress of the country" (85-86). The long-term goal for U.S. military assistance is not separate from the economic assistance program but part of it. *Foreign Military Sales and Military Assistance Facts,* published by the DSAA states that military assistance also "serves a purpose of considerable importance in other selected countries in helping local leaders in their attempts to meet the needs associated with nation building and economic development" (1974: 1).

U.S. government foreign assistance is often referred to as U.S. government foreign grants and credits (Bach, 1976). The source for the U.S. foreign assistance (grants and credits) figures is the *Statistical Abstract of the United States* published by the

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not receive reimbursement for the cost of training aids and materials associated with such training (*Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts* by Department of Defense Security Assistance Agency, 1987). In fact, FMS and IMET were separately legislated later. In 1968, the Congress provided separate legislative authority as Public Law 90-629, namely the *Foreign Military Sales Act*, "to consolidate and revise foreign assistance legislation relating to reimbursable military exports" (*United States Statutes at Large*, 1969: 1320). In 1976, the Congress also adopted PL 94-329, including International Military Education and Training as its fifth chapter which, was under the overall MAP grant program (*United States Statutes at Large*, 1978).

Department of Commerce. This source lists yearly contributions of total net grants and credits by country.[18] U.S. government grants and credits use a fourfold classification based on five main pieces of legislation: military grants and credits under the *Foreign Assistance Act* and *Foreign Military Sales Acts*, development assistance under the *Foreign Assistance Act*, agricultural export financing under the Agricultural Trade Development and Assistance, *Commodity Credit Corporation Charter Acts*, and export-import bank credits under the *Export-Import Bank Act.*[19]

Three primary documents published by the Government Printing Office serve as this study's main references: *Public Papers of the Presidents of the United States*; *American Foreign Policy: Current Documents*; and *United States Statutes at Large: Containing the Laws and Concurrent Resolutions.* Additionally, this study refers to the U.S. Senate *Security Agreement Hearings, 1970* and to the *Annual Report to the Congress* prepared by the Secretary of Defense. The data for economic indicators are from the *Statistical Abstract of the United States* published by the Department of Commerce and the *Statistics of Foreign Trade* published by Korea's International Trade Association.

In sum, three categories will be used to assess interests. Security interests are the

[18] Net assistance is defined as gross assistance minus principal repayments and reverse grants whereas gross assistance is defined as the sum of grants, gross credits, and net accumulation of foreign currency claims. Total net grants and credits are obtained by deducting the returns from gross grants and credits. For more detailed category of the returns, see *Historical Statistics of the United States: Colonial Times to 1970* published by the Department of Commerce.

[19] For detailed classification and contents, see the *Statistical Abstract of the United States*, and Bach (1976).

primary interests and include strategic, augmentive, and preemptive interests. Political interests, which are more related to the Cold War and to intangible interests such as expanding and maintaining democracy and improving human rights, are also investigated. U.S. foreign grants and credits to South Korea and bilateral trade deficits are examined as one of the indicators of economic interests.

Bureaucratic Politics (South Korea)

Bureaucratic politics is a political process characterized by conflict resolution among domestic players rather than problem solving or choice. Individual players act for their self-interest which includes national security interests, organizational interests, domestic interests, and personal interests (Allison, 1971). The central idea of bureaucratic politics is that government decisions are the outcome of an elaborate political game by various players. Government actions are the results of bureaucratic bargaining among many officials, and officials' views or arguments are shaped by their positions or organizational roles.

The bureaucratic politics model was first developed by Allison (1971) and has since been supported by many other researchers. Some studies more specifically emphasize the importance of bureaucratic momentum in determining defense expenditures (Crecine, 1970; Crecine & Fisher, 1973; Halperin & Kanter, 1973; Cameron, 1978; Ostrom, 1978; Russett, 1982; Kington, 1984; Bennett et al. 1994). According to these studies, overall levels of defense spending are decided, or at least

affected, by games among several different executive agencies in light of conflicting domestic needs and the overall requirements of governmental fiscal policy.

In the case of South Korea, bureaucratic politics can be observed only during a certain time period. During President Park's era, national security, along with economic development, was the foremost national goal. Consequently rapid increases in defense spending and arms build-ups were possible. Moreover, decision-making on defense policy in general and on defense spending in particular were largely in the hands of a small group of high-ranking officials (Hyun, 1990). Thus, there was no room for bureaucratic politics. However, the Chun government had different policy preferences, and pursued economic stability and social welfare more than national security. President Chun pursued aggressive economic reforms focusing on austere macroeconomic stabilization and structural adjustment (Moon, 1987). Because Chun's government was more concerned with economic stability, the Economic Planning Board had more power in the allocation of the national budget, including that portion earmarked for the Ministry of National Defense. Consequently, the Ministry of National Defense had to lobby hard to get its own share. These different commitments and styles of political leadership have influenced differently the allocation of the national budget. Thus, bureaucratic politics during the 1980s and 1990s will be considered as a domestic constraint.

The dependent variable is the defense burden of South Korea measured as defense expenditures as a percentage of its GNP. For the case of bargaining in 1988, the defense burden of South Korea is measured as its share costs for stationing U.S. forces in the Korean peninsula. The U.S. defense burden is used as an intervening variable which is

measured as the overall U.S. defense expenditure as a percentage of its GNP. The first category of contextual factor is threat considered at the state level. The source of threat, its relative capability indicated by relative military expenditures as well as by conventional weapons, and the intention indicated through hostile provocation represent threat. The second category is the economic condition for each country, which indicates the degree of ability to contribute to defense. This set includes the GNP share, the relative size of per capita GNP, and the Prosperity Index. In addition, budget deficit or surplus is used as another indicator of economic condition. The next set of contextual factors includes political and public support in the U.S. Public opinion on issues of internationalism and the degree of defense spending are used to represent public support. Congressional activities on defense burden-sharing among allies and appropriation of defense spending are also examined. The fourth category is interest for each country considered as a facilitating factor at the state level. Security, political, and economic interests are considered. Lastly, bureaucratic politics in South Korea are considered as one of the domestic factors in order to analyze the last case of bargaining in 1988. Measurement of these variables and contextual factors are summarized in Table 3-1.

How these contextual factors affect the defense burden of South Korea is shown in Figure 3-2. The level of South Korea's defense burden is a result of the dynamic interactions among these domestic and state level factors. Some factors directly affect the defense burden of South Korea, while others indirectly affect it through the intervening variable of the U.S. defense burden. For example, public opposition to the high level of the U.S. defense burden or the large number of cuts made by Congress in defense

Table 3-1
Variables and Contextual Factors

Variables and Contextual Factors		Descriptions and Measurements	
Dependent Variable	Defense Burden	-South Korea's defense expenditures as a percentage of its GNPs; -South Korea's share of U.S. forces stationing costs in the Korean peninsula (for the case of 1988).	SK
Intervening Variable	Defense Burden	-U.S. overall defense expenditures as a percentage of its GNPs	US
State Level Factors	Threat	-Source; Relative military expenditures and conventional weapons inventory (NK vs. SK); -Intention reflected through hostile provocation by North Korea.	SK US
	Interests	-Security interests---strategic, augmentive, and preemptive; -Political interests---democracy, human rights, economic and social development, peace, Cold War politics; -Economic interests---bilateral trade balance, U.S. Government grants and credits toward South Korea.	SK US
Domestic Factors	Economic Conditions	-GNP share and relative size of per capita GNP (SK vs. US); -Prosperity Index; -Domestic budget deficit or surplus.	SK US
	Political and Public Support	-Public support---results of public opinion on internationalism and the level of defense spending. -Political support---congressional legislative activities on defense burden-sharing among allies and cuts in appropriation of defense spending.	US
	Bureaucratic Politics	-Political games in the allocation of the national budget to defense spending---in the case of bargaining in 1988.	SK

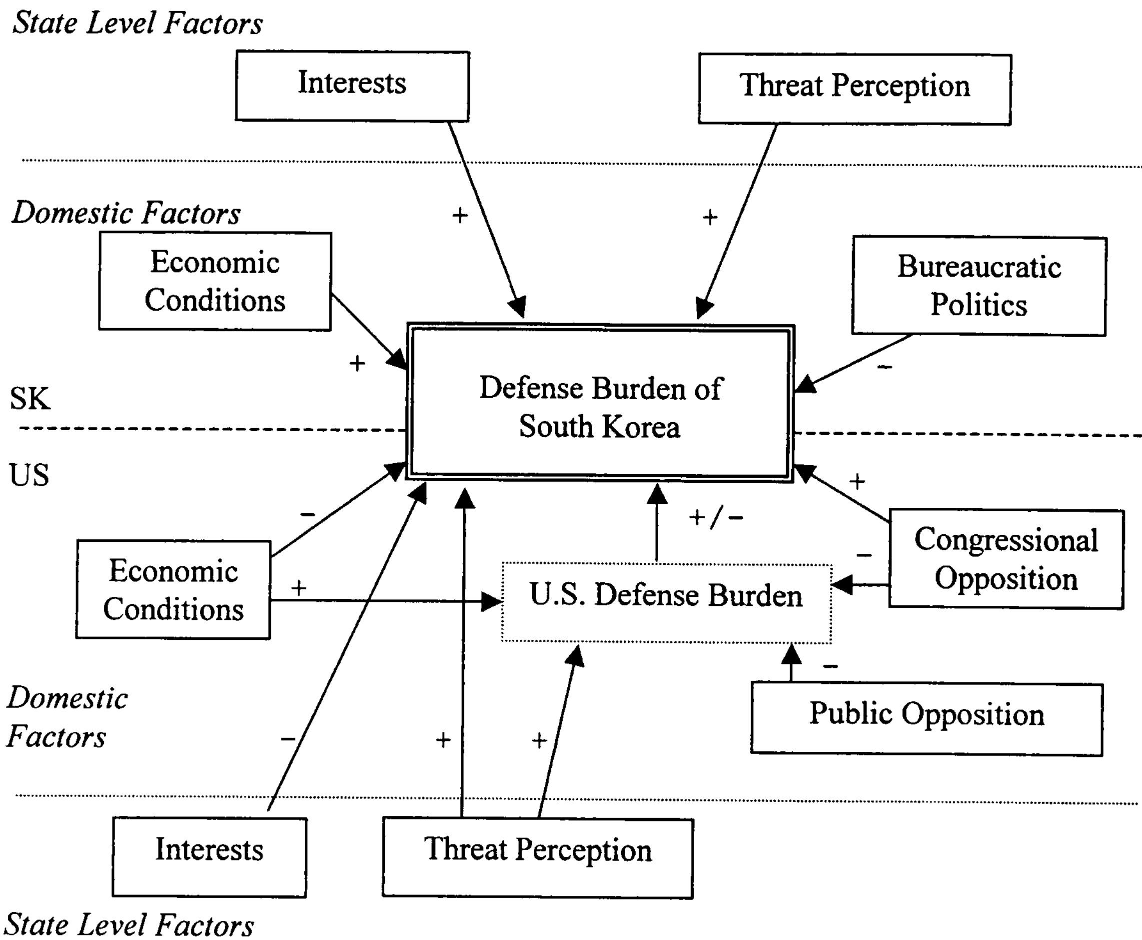

Figure 3-2: Multidimensional Interactions of Domestic and State Level Factors for the Defense Burden of South Korea: Some Hypotheses

spending negatively impact on the U.S. defense burden. As a result, the U.S. defense burden may decrease and thus the U.S. may pressure South Korea to increase its defense burden in order to maintain the status quo in the region. Figure 3-2 provides an explanation for the decision-making on the defense burden of South Korea that is more dynamic than the "free-riding" model or Palmer's bargaining model because more facilitating or constraining factors at both the state and domestic levels are considered. However, bargaining is the important process in yielding an outcome based on these individual factors. In other words, the outcome (South Korea's defense burden) is achieved through bargaining that is influenced by these contextual factors. The concept of "Win-Set" will be applied to four cases in the following two chapters to examine the nature of bargaining (latent, tacit or explicit) on the defense burden.

Empirical Cases

There is a moderate consensus that the U.S.-South Korean security relationship has varied significantly over time. In general, although there is some variation, that relationship is roughly divided into five time periods according to characteristics of the alliance: 1953 - 1960; 1961 - 1968; 1969 - 1978; 1979 - 1987; 1988 - present.[20] This study uses four cases of bargaining on defense burden-sharing.

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[20] For more information, see Koh (1983), Han (1983), Rhee (1983), Hyun (1990), and Roehrig (1995).

The first case of bargaining, latent bargaining, explains the defense burden-sharing relationship between the two countries during 1961-1968. The outcome of this bargaining case supports the first theoretical argument of this study, which is discussed in Chapter 2. In sum, the concept of "free-riding" does not fit the defense burden-sharing relationship in the alliance context and the concept of "easy-riding" is more useful in explaining the asymmetrical contributions to the alliance.

The second case of bargaining on defense burden-sharing between the two countries is the Nixon doctrine announced on July 25, 1969. That bargaining was characterized as tacit rather than explicit. The Nixon Doctrine emphasized the necessity for self-help on the part of Asian countries and for their increased efforts to improve their own security. Practically, this doctrine led South Korea to spend more for defense although the U.S. did not diplomatically pressure South Korea to do so.

The third case of bargaining is the summit meeting between Presidents Carter and Park in June 1979. At the summit meeting, South Korea agreed to increase its defense burden to 6% of the GNP for the following year with the condition that the U.S. abandon Carter's U.S. troop withdrawal plan. As a result, the defense burden of South Korea reached, for the first time, over 6% of its GNP in 1980. This summit meeting is considered as the first explicit bargaining on defense burden between the two countries.

The last case of bargaining is the bargaining that took place at the 20th Annual Security Consultative Meeting (SCM) in 1988 on sharing the costs of stationing U.S. troops. Oh and Carlucci, respective defense ministers of the two countries, reached a new cost-sharing agreement, which resulted in the beginning of a new era of defense

burden-sharing between the two countries. As a result of this agreement, South Korea had to provide 45 million and 70 million dollars in 1989 and 1990, respectively, for stationing costs of U.S. forces in South Korea. Although cost-sharing is a different measurement of the defense burden as discussed in Chapter 1, it is considered as valid alternative measurement of defense burden.

CHAPTER 4

LATENT AND TACIT BARGAINING

The first part of this chapter discusses the heavy dependence of the South Korean defense on the U.S. from 1961 through 1968 and characterizes it as latent bargaining. It argues that South Korea was not a "free-rider" because it did not defect from the U.S. and it contributed as much as the U.S. expected. Instead, South Korea was an "easy-rider" because it enjoyed an asymmetrically smaller contribution to the alliance and was not pressured by the U.S. to increase its defense burden.[1] "Easy-riding" was possible within a context not of tacit or explicit bargaining but of a latent bargaining. Latent bargaining has evolved into tacit bargaining and later into explicit bargaining when the context has changed.[2]

The second part of this chapter examines the context of the Nixon Doctrine announced in 1969 and suggests that it is an example of tacit bargaining on the defense burden. As discussed in Chapter 2, tacit bargaining is not a negotiation but rather an action conducted to influence a partner's behavior. Tacit bargaining on the defense burden, in this case, consisted of U.S. attempts to increase South Korea's defense burden without any direct statement or diplomatic exchanges, and of South Korea's voluntary

[1] The specific logic of "easy-riding" and the comparison of "free-riding" and "easy-riding" are discussed in Chapter 2.
[2] The concept and comparison of latent, tacit and explicit bargaining is specifically discussed in Chapter 2.

increase in its defense burden. In short, this chapter relies on four categories of contextual factors to explain why South Korea could be an "easy-rider" from 1961 through 1968 and had to increase its defense burden after 1969.

Latent Bargaining (Easy-Riding): 1961-1968

General Background

During this period, South Korea's defense was heavily dependent on the U.S. After the Korean War, the U.S. began to provide direct and indirect military assistance. During this period, as Table 4-1 shows, the U.S. military aid including direct and indirect assistance comprised two thirds of the total South Korean military expenditures. Even though the Kennedy administration shifted its emphasis from military to economic assistance, the share of U.S. military aid did not sharply decrease because the U.S. provided the defense budget support and the Military Assistance Service Fund (MASF) for South Korean troops in Vietnam (Ha, 1984). Some scholars employ the concept of "patron-client" relationship to explain such a particular form of asymmetrical relations in terms of power and interests between two allies (Lee, 1987; Walt, 1987; Hyun, 1990; Shin, 1993).[3]

[3] The patron-client relationship model is developed by John Spanier and Christopher Shoemaker (1984) and defined in terms of three elements: (1) a sizable asymmetry in terms of military capabilities; (2) a client plays a prominent role in patron competition (bilateral interdependence); (3) it takes place in the international system.

Table 4-1
Percentage Share of U.S. Military Aid
in South Korea's Total Military Expenditures: 1961-1968

Year	1961	1962	1963	1964	1965	1966	1967	1968
%	99.0	85.7	91.0	83.6	82.1	82.7	77.0	69.0

Source: Adapted from Young-Sun Ha (1982), "Analysis of South Korean Military Expenditures: Past, Present, and Future," *Journal of International Studies* (in Korean) 7: 289-306.

However, it was not an absolutely unilateral relationship. Instead, both countries relied on shared interests. South Korea had a critical security need which was met by the U.S. The U.S. also had an important strategic interest in the Korean peninsula, although it was less critical than that of South Korea. It is asymmetrical interdependence which implies that the costs and interests for each ally are not equal. In other words, South Korea was more dependent on the U.S. than vice versa.

Another characteristic of the relationship between the two countries regarding the defense burden is that no evidence of explicit bargaining was observed. During most of this period, as Table 4-2 shows, the defense burden of South Korea was roughly half of that of the U.S. Despite South Korea's lower contribution, the U.S. did not pressure South Korea to increase its defense burden. In fact, American military aid even allowed the South Korean defense burden to remain at relatively small.

Table 4-2
Defense Burdens of South Korea and U.S.: 1963-1968
(Military Expenditures/GNP---%)

Year	1963	1964	1965	1966	1967	1968
SK(%)	4.2	3.6	3.7	3.9	3.9	4.1
US(%)	8.9	8.1	7.6	8.5	9.5	9.3

Source: U.S. Arms Control and Disarmament Agency, *The World Military Expenditures and Arms Transfers (WMEAT), 1963-1973*, p. 41 and p. 61. The series of *WMEAT* provide data from 1963.

In order to understand how South Korea could maintain its relatively small defense burden without explicit bargaining or pressure by the U.S., four categories of contextual factors must be considered based on the Win-Sets.

Analysis of Contextual Factors

Threat

Source Although China and the Soviet Union were the two major countries in the Communist world during this period, American high-ranking officials perceived China as a primary adversary and the Soviet Union as a secondary one. The U.S. policy makers were concerned about the newly emerging power of China as a more critical adversary than the Soviet Union. The joint statement by Presidents Johnson and Park in 1966 illustrates that leaders of the U.S. and South Korea perceived the growing strength of the

Communist forces in China as the great threat (U.S. Senate, 1970).[4] As another example, President Kennedy warned about the new rise of Communist power in China stating that:

> Our problem now, of course, is that with the rise of the Communist power in China combined with an expansionist Stalinist philosophy, our major problem, in a sense a major problem, is how we can contain the expansion of communism in Asia so that we do not find the Chinese moving out into a dominant position in all of Asia, with its hundreds and hundreds of millions of people in Asia, while Western Europe is building a more prosperous life for themselves (Kennedy, 1962: 850-851).[5]

Dean Rusk, the Secretary of Defense, also stated at a 1967 news conference that "there will be a billion Chinese on the mainland, armed with nuclear weapons, with no certainty about what their attitude toward the rest of Asia will be" (*American Foreign Policy: Current Documents 1967*: 753).[6]

In contrast, statements by U.S. officials clearly show that the Soviet Union was perceived as only a secondary threat. In 1968 Secretary of Defense McNamara mentioned in his statement before the Senate Armed Services Committee that:

> The Soviets since 1962 have generally taken a less militant approach, although they continue to affirm their support for what they choose to call "wars of national liberation." The Soviet leadership has demonstrated

[4] The source for this material is *United States Security Agreement and Commitments Abroad, Republic of Korea: Hearings before the Subcommittee on United States Security Agreements and Commitments Abroad of the Committee on Foreign Relations*. 91st Congress. February 24, 25, and 26 (U.S. Senate, 1970).

[5] The full title of the source of this material is *Public Papers of the Presidents of the United States: John F. Kennedy* published by Government Printing Office (GPO), Washington D.C.

[6] This statement was made by the Secretary of State (Rusk) to questions asked at a News Conference, October 12, 1967. Hereafter *American Foreign Policy: Current Documents* is cited as *AFP: Current Documents*.

some restraint in their support for North Vietnam and in support of insurgencies in some other areas of the world (1968: 7).

The U.S. also believed the relationship with the Soviet Union could be improved. McNamara stated that "It is likely that relations with the USSR could improve if Hanoi's aggressions in Southeast Asia were terminated" (1968: 8).

During this period, U.S. officials did not believe that North Korea had the capability to attack alone, although North Korea initiated more hostile provocation (including infiltration). Thus, U.S. officials during this period perceived the primary threat as the possibility of an attack by North Korea supported by China. For South Korea, however, North Korea remained an immediate threat.

Capabilities As discussed in Chapter 3, relative military expenditures and increasing armed forces and weapons are indicators of threat. Table 4-3 shows that North

Table 4-3
Absolute and Relative Military Expenditures: 1963-1968
(in millions of dollars, constant 1972)
(North Korea/South Korea)

Year	1963	1964	1965	1966	1967	1968
NK	382	403	461	449	584	729
SK	179	165	183	217	233	272
NK/SK	2.13	2.44	2.51	2.07	2.51	2.68

Source: U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers, 1963-1973.* p. 41.

Korea's military expenditures, which nearly doubled during the 1960s, far exceeded those of South Korea.

Table 4-4 compares the capabilities of the two Koreas. During the 1960s, North Korean armed forces were both quantitatively and qualitatively inferior to those of South Korea who were well trained and experienced after combat in the Vietnam War. Although North Korea increased the size of its armed forces by about 10% during this period, the forces never exceeded 400,000, falling well short of the 600,000 military personnel in South Korea.

However, North Korea was superior to South Korea in the area of weapons. The number of tanks used to spearhead a surprise attack in 1950 was an important concern. North Korea's 600 tank arsenal of PT-76s, T-34s, 54s, and 55s, and light amphibious tank far exceeded South Korea's 7 tanks battalions. Until 1967, South Korea relied only on M36s and M4A3E8s which had been used during the war in the 1950s. In 1967, South Korea received 120 M-47s and 48s from the U.S. to replace the old tanks (ROK, Military History Research Institute, 1993). North Korean artillery was also superior to that of South Korea, numbering 1,300 in 1965 in contrast to South Korea's 50 independent artillery battalions.

Although North Korea's naval forces in terms of the number of armed forces was relatively small, it had 1 submarine in 1965 and received 3 more from the Soviet Union by 1967. Its submarines could blockade South Korea if war broke out (Roehrig, 1995). In contrast, South Korea's navy relied almost solely on destroyers and frigates. South Korea had 1 destroyer in 1965 and 3 in 1969. Destroyers were the only vessels South Korea had

Table 4-4
Comparison of the Military Capabilities
Of South and North Korea, 1965

Category	South Korea	North Korea
Armed Forces		
Total	604,000	353,000
Army	540,000	325,000
Navy*	44,000	8,800
Air Force	20,000	20,000
Army		
Tank	7 Tank Battalions	600
Artillery	50 Artillery Battalions	1,300
Navy		
Submarines		1
Destroyer	1	
Frigates	16	
Minesweepers	11	10
Motor Torpedo boats	2	21
Other Ships	46	105
Air Force		
Fighting Aircraft		
Combat planes	200	MiG-15/17 and Il28: 500
	1 Squadron F-5 tactical fighters	
	3 Squadrons F-86D interceptors	
	4 Squadrons F-86F fighter bombers	

Source: International Institute for Strategic Studies, *The Military Balance, 1965-1966,* (London, 1965), p.11 and p.32.
Notes: *This number includes Marine Corps.

which were capable of patrolling the sea and of attacking North Korea's fast infiltration boats (U.S. Senate, 1970).

North Korea had roughly double the number of combat planes of South Korea. In 1965, North Korea possessed about 600 and South Korea only about 200 combat aircraft. In addition, North Korea reinforced its air forces with the MiG-21 in the latter half of the 1960s. Although the F-5s possessed by South Korea performed better than the MiG-15s/17s which were more like South Korea's F-86s, they could be used to counter the MiG-21s only below a certain altitude (U.S. Senate, 1970).

In sum, an assessment of military capabilities shows that North Korea had the numerical advantage in every area except number of troops. However, with U.S. assistance, including two infantry divisions, air and naval units, and tactical nuclear weapons, South Korea matched the military capabilities of North Korea (U.S. Senate, 1970). North Korea's military capability was not a significant threat for the U.S. Yet, as discussed above, a North Korean attack with Chinese support constituted a great threat to both South Korea and the U.S.

Intention Along with the efforts by North Korea to increase defense expenditures so as to build up its military capability, its tendency to hostile provocation also must be considered an important indicator of threat. During this period, North Korea committed an average of over one hundred violations of the 1953 armistice terms, according to a report by the United Nations Command (DOD, *Annual Report 1968*). Most of them were

attempts to infiltrate the Demilitarized Zone (DMZ). Table 4-5 shows more detailed information about the casualties caused by infiltration.

Tensions between the two Koreas continued along the DMZ during this period. In the late 1960s, North Korean provocation became more severe and aggressive. In January 1968, North Korean commandos raided the Blue House, the South Korean presidential mansion, and made a nearly successful attempt to assassinate the President. Several days later, North Korea seized the U.S.S. Pueblo, an electronic surveillance ship, with its eighty-two crewmembers.

Hostile provocation by North Korea led to sharp tension in the Korean peninsula. After the seizure of the Pueblo by North Korea, the U.S. dramatically increased the

Table 4-5
Summary of Infiltration: 1965-1967

Category		1965	1966	1967*
Exchanges of Fire	DMZ Area	23	19	117
	Interior of ROK	6	11	95
North Koreans Killed Within ROK		4	43	224
North Koreans Captured Within ROK		51	19	50
UNC Personnel Killed Within ROK		21	35	122
UNC Personnel Wounded Within ROK		6	29	279
ROK Police and Civilians Killed		19	4	22
ROK Police and Civilians Wounded		13	5	53

Source: *American Foreign Policy: Current Documents, 1967*. p. 789.
Note: *The number for 1967 is calculated up to October 18th.

military capabilities of South Korea. The U.S. aircraft carrier *Enterprise* moved to the Sea of Japan and F-105 aircraft were dispatched from Japan to South Korea to reinforce the forces in South Korea. In addition to the air and naval reinforcement, ground forces and war equipment such as new radar and sensors were substantially reinforced. To increase these capabilities, U.S. President Johnson requested on February 8 an additional $100 million in military assistance to South Korea (DOD, *Annual Report 1968*). Thus, respective threats for the U.S. and South Korea from North Korea were high.

In sum, North Korea, supported by the U.S.'s primary adversary, China, or its secondary adversary, the Soviet Union, was the major source of threat to the U.S, while North Korea alone posed an immediate threat to South Korea. North Korea's military capabilities (in terms of defense expenditures and weapons) were superior to those of South Korea. In addition, North Korea's intention to attack, which was indicated by continuous hostile provocation, was significant. Overall, level of perceived threat was very high for both the U.S. and South Korea.

Economic Conditions

During the 1960s, despite an average of 8% an annual economic growth, the economic capability of South Korea was still very weak. South Korea's GNP share was very small; its GNP share in 1961 was 0.4% and it increased only slightly during this period (0.4% in 1961 to 0.7% in 1968). It was still too small compared to the U.S. GNP share. The relative size of South Korea's per capita GNP, which indicates its ability to contribute to the collective defense, was also minimal, below 5 % of the U.S. per capita

GNP. More importantly, the relative economic capability of South Korea was extremely small compared to that of the U.S. South Korea's Prosperity Index remained below 0.02 % during most of this period. However, neither the U.S. nor South Korea was limited in its decision-making process on the defense burden by a budget deficit. During most of this period, the budget deficit of South Korea stayed below 0.6% of the GNP, with the exception of a 2.8% of the GNP in 1962. The U.S. budget deficit stayed below 1.5% of the GNP until 1967 and then increased to 2.8% of the GNP in 1968 (Table 4-6).

In sum, for the U.S., economic conditions such as the budget deficit and relative economic capability did not constrain decision-making on defense burdens. The budget deficit of South Korea during this period was not a problem either. Yet, the relative economic capability of South Korea was quite small and functioned as a critical constraint in decision-making on the defense burden.

Political and Public Support (U.S.)

Congressional Debate Until 1966, congressional pressure for a reduction of U.S. troops in Europe was not significant. As Table 4-7 shows, during the 1960s only a series of Senate Resolutions (called Mansfield Resolutions) attempted to reallocate defense burdens within NATO. Mansfield's first resolution (S.Res.300) introduced in 1966, proposed that NATO allies should play a larger role in the common defense of Europe

Table 4-6
Selected Economic Indicators:
Respective Budget Deficits, GNP shares,
Relative per capita GNPs, and Prosperity Indices, 1961-1988

Year	USSD (%)	SKSD (%)	US Share	SK Share	SK-PCGNP as % of US	USPI	SKPI
1961	-0.618	-0.170	99.56	0.439	2.897	99.99	0.013
1962	-1.252	-2.808	99.52	0.474	2.896	98.99	0.014
1963	-0.790	0.019	99.36	0.633	3.205	99.98	0.020
1964	-0.907	0.139	99.48	0.512	3.125	99.98	0.016
1965	-0.198	-0.124	99.57	0.427	3.262	99.98	0.014
1966	-0.479	-0.578	99.50	0.492	3.459	99.98	0.017
1967	-1.053	-0.546	99.42	0.576	3.993	99.97	0.023
1968	-2.822	0.362	99.33	0.664	4.054	99.97	0.027
1969	0.331	-2.041	99.23	0.769	4.622	99.96	0.035
1970	-0.275	-0.073	99.13	0.860	5.455	99.95	0.047
1971	-2.085	-0.296	99.12	0.873	5.838	99.94	0.051
1972	-1.929	-3.875	99.13	0.864	5.709	99.95	0.049
1973	-1.096	-0.501	99.01	0.983	6.084	99.93	0.060
1974	-0.414	-2.185	98.75	1.243	6.967	99.91	0.087
1975	-3.328	-2.006	98.71	1.284	7.838	99.89	0.101
1976	-4.133	-1.389	98.42	1.576	9.169	99.85	0.146
1977	-2.697	-1.774	98.18	1.814	10.066	99.81	0.185
1978	-2.631	-1.249	97.84	2.156	11.782	99.74	0.259
1979	-1.622	-1.769	97.52	2.474	13.545	99.65	0.342
1980	-2.701	-2.310	97.83	2.166	13.583	99.70	0.299
1981	-2.587	-3.481	97.85	2.143	13.791	99.69	0.301
1982	-4.042	-3.173	97.79	2.204	14.170	99.68	0.318
1983	-6.101	-1.074	97.71	2.282	14.473	99.66	0.336
1984	-4.914	-1.199	97.74	2.253	14.016	99.67	0.322
1985	-5.287	-1.303	97.97	2.028	13.775	99.71	0.284
1986	-5.227	-0.094	97.62	2.371	14.546	99.64	0.352
1987	-3.317	0.450	97.22	2.775	15.707	99.55	0.446
1988	-3.184	1.591	96.58	3.419	17.866	99.37	0.628

Source: Calculated by computer using original data of the GNP, per capita GNP, and budget deficit. GNPs and budget deficits for both countries are from the *International Financial Statistics Yearbook* published by the International Monetary Fund. Per capita GNPs of both countries from 1968 to 1988 are from the *World Tables* of the World Bank. Per capita GNPs for the U.S. from 1961 to 1967 are from the *Datapedia of the United States* by Kurian. Per Capita GNP for South Korea from 1961 to 1967 are from The Bank of Korea, *National Accounts* (1975). Original data of the GNP, per capita GNP, and budget deficit are listed in Appendix B.
Notes: SKPI (Prosperity Index for South Korea) is South Korea's share of the total Prosperity Value of all allies. The prosperity Value of South Korea is calculated by multiplying South Korea's GNP share by a ratio of South Korea's per capita GNP as a percent of the US per capita GNP. USPI (Prosperity Index for US) is calculated by the same method. USSD and SKSD are budget deficits as percents of GNP for the US and South Korea, respectively.

Table 4-7
Congressional Legislative Activities
On Defense Burden-Sharing: 1960s-1987

Bill Number	Year	Bill Name*	Result
Various	(1966-74)	Mansfield Resolutions	Not adopted
S.3293	(1968)	Symington Amendment	Not adopted
PL.93-155	(1973)	Jackson-Nunn Amendment	Adopted
PL.93-365	(1974)	Nunn Amendment	Adopted
PL.94-106	(1975)	Culver-Nunn Amendment	Adopted
PL.97-377	(1982)	Stevens Amendment	Adopted
SCR.88	(1982)	Roth Resolution	Referred
SAMDT.3229	(1984)	Nunn-Roth Amendment	Not adopted
PL.98-525	(1984)	Cohen Amendment	Adopted
H.R.4842	(1986)	Schroeder Amendment	Referred
HRES.130	(1987)	Bennett Resolution	Referred
H.R.2805	(1987)	Bereuter Bill	Referred
PL.100-204	(1987)	Conrad Amendment	Adopted
H.R.2231	(1987)	Bryant Bill	Referred
H.R.3771	(1987)	Davis Bill	Referred
H.R.2549	(1987)	Hunter Bill	Referred
HCR.139	(1987)	McMillian Concurrent Resolution	Referred
HAMDT.85	(1987)	Mrazek Amendment	Rejected
HCR.62	(1987)	Neal Concurrent Resolution	Referred
H.R.1107	(1987)	Regula Bill	Referred
HJR.327	(1987)	Ritter Joint Resolution	Referred
H.R.2620	(1987)	Schroeder Bill	Referred
HCR.204	(1987)	Broomfield Concurrent Resolution	Referred
HCR.178	(1987)	Konnyu Concurrent Resolution	Referred
HCR.137	(1987)	Snowe Concurrent Resolution	Referred

Source: Congressional Quarterly Inc., *Congressional Quarterly Almanac*; GPO, *United States Statutes at Large: Containing the Laws and Concurrent Resolutions*; Sovereign Hill Software, *Thomas Databases* (from 1973-1987) <http://thomas.loc.gov/home /thomas2.html>; Simon Duke (1993), *The Burdensharing Debate*. Each bill is abstracted in Appendix A.
Notes: * Bills are named for their sponsor or cosponsors for convenience. H.R. denotes House Representative; S denotes Senate; PL denotes Public Law; HRES denotes House Resolution; HJR denotes House Joint Resolution which has the force of law if approved; SCR denotes Senate Concurrent Resolution; HCR denotes House Concurrent Resolution which does not have the force of law; SAMDT denotes Senate Amendment; HAMDT denotes House Amendment.

and that U.S. forces in this region should be substantially reduced.[7] Mansfield continuously raised this issue and pressured Congress and the Administration to change their attitude. He continued to offer resolutions on the same issue (S.Res.49, S.Res.292, S.Res.409, S.J.Res.95), writing articles and editorials to publicize his ideas. However, these resolutions were never pushed to the vote, despite a number of Senators agreeing to co-sponsor the resolution. In short, though his activities resulted in no actual act by the Congress, they did lead to a growing sentiment in Congress that the troop presence in Europe should be reduced.

Compared to other periods (1970s and 1980s), congressional legislative activity was minimal during this period. The U.S. Congress acted little to address questions of burden-sharing because their focus was on the "mass retaliation" strategy allowed by nuclear weapons. Heavy reliance on nuclear weapons allowed its allies shelter under a U.S. nuclear umbrella while spending only minimally on their own defense (Duke, 1993). Due to these circumstances, the U.S. Congress did not question its allies' capabilities or the level of their contributions to the common defense. In short, during the early and mid-1960s, the Congress did not function as a significant constraint for the administration's foreign policy.

The other congressional activity related to defense burden-sharing is the appropriation of defense spending requested by the administration for each fiscal year. As

[7] Later, Senator Michael J. Mansfield also introduced another amendment urging Nixon to withdraw U.S. forces from Vietnam if American prisoners of war were released (G.A. Olson, 1995).

discussed in Chapter 3, such appropriations affect defense burden-sharing issue in two ways. First, they show the level of congressional support for the administration's security policy. Second, they show the amount of the budget available for common defense.

As Table 4-8 shows, during most of the early and mid-1960s, Congress granted defense spending requests, at times even appropriating more than what the President requested. Congress cut the requested amount only slightly in 1963 (for FY 1964) and 1964 (for FY 1965). In the early 1960s, Congress even approved more than the Kennedy Administration requested because of the explosive Berlin issue and the sense of a gathering international crisis (*1961 CQ Almanac*). In 1966 and 1967, Congress approved a bill appropriating more defense spending than the Administration requested, reflecting the spiraling costs of U.S. involvement in Southeast Asia.

In short, until 1968 the Congress posed no constraint on and even seemed to support the administration's foreign policy at least in terms of defense spending. Neither congressional debate on allies' increased contributions to the alliance nor congressional activity to cut the defense spending was significant during this period.

Public support As discussed in Chapter 3, public opinion limits the range of policy options. More specifically, decision-making related to defense spending is partly affected by public opinion, and thus public preferences on these issues affect bargaining between allies on the defense burden.[8] To gauge the ramifications of public opinion on

[8] The logic of this argument is discussed in Chapter 3.

Table 4-8
Appropriations for Defense Spending:
Fiscal Years 1962 – 1989
(in thousands of dollars)

Fiscal Year	Administration Requests	Final Appropriation	Cut Rate(%)
1962	42,942,345	46,662,556	+ 8.7
1963	47,907,000	48,136,247	+ 0.5
1964	49,014,237	47,220,010	3.7
1965	47,471,000	46,752,051	1.5
1966	45,248,844	46,887,163	+ 3.6
1967	57,664,353	58,067,472	+ 0.7
1968	71,584,000	69,936,620	2.3
1969	77,074,000	71,869,828	6.8
1970	75,278,200	69,640,568	7.5
1971	68,745,666	66,595,937	3.1
1972	73,543,829	70,518,463	4.1
1973	79,594,184	74,372,976	6.6
1974	77,250,723	74,218,230	3.9
1975	87,057,497	82,576,297	5.2
1976	97,857,849	90,466,961	7.6
1977	107,964,472	104,343,835	3.4
1978	112,445,880	109,752,800	2.4
1979	119,300,283	117,255,721	1.7
1980	132,320,565	130,981,290	1.0
1981	154,496,424	159,738,836	+ 3.4
1982	200,878,234	199,691,264	0.6
1983	249,612,409	231,603,561	7.2
1984	260,926,119	248,955,755	4.6
1985	292,221,823	274,398,173	6.1
1986	303,954,000	281,161,800	7.5
1987	299,032,138	273,999,006	8.4
1988	293,887,908	278,982,848	5.1

Source: Congressional Quarterly Inc., *Congressional Quarterly Almanac*, Fiscal Years from 1961 to 1988.
Notes: Plus sign (+) denotes that Congressional appropriation is higher than the Administration's request.

such bargaining, we will first look at the American public's attitude towards the U.S. playing an active role in the world and then at its opinion on the level of U.S. defense spending.

The Gallup survey question, "Do you think it would be best for the future of this country if we take an active part in world affairs or if we stay out of world affairs?", has been asked continuously since 1943 by the National Opinion Research Center. Table 4-9 shows that in 1965 79% of the American people believed the U.S. should play an active role in world affairs, with only 16% objecting to such a role. In short, during this period, the U.S. government was not limited by the American public in conducting foreign policy decision-making.

The survey also sought to ascertain public attitude toward U.S. defense spending. This study uses Hartley-Russett (1992) data generated from survey results conducted by six survey houses. Although the wording of the question for each survey house was slightly different, the basic question was "Do you think we are spending too little, too much, or about the right amount?"

Table 4-10 shows that by 1968 the percentage of American people who believed defense spending was too much was relatively stable and very low. Since 1969, however, the percentage of the public who felt the U.S. was spending too much for defense has increased, and in 1969 for the first time, the percentage of the public who favored less defense spending exceeded that of those who favored more defense spending. A large percentage of the public continued to favor less defense spending (over 30% except in

Table 4-9
The U.S. Role in World Affairs: 1956-1988
(in Percentage)

Year	Take Active Role	Stay Out
1956	71	25
1965	79	16
1973	66	31
1975	61	36
1976	63	32
1978	64	32
1982	61	34
1983	65	31
1984	65	29
1985	70	27
1986	65	32
1988	65	32

Source: "Sensible Internationalism," *Public Perspective*, provided by The Roper Center for Public Opinion Research. March/April 1993, p. 95. <http://web.lexis-nexis.com/universe/document?_...a41%25a3&_md5=7eb09cb9067c27bde0146a362813a0f>.
Notes: Percentages for each year do not add up to 100 because of "not sure" or "don't know" responses. The data are not entirely continuous. The question was not asked in the years missing in the table.
Survey Question: Do you think it will be best for the future of this country if we take an active part in world affairs, or if we stay out of world affairs?

Table 4-10
Public Opinion on Defense Spending: 1965-1987
(in Percentage)

Year	Too Little	Too Much
1965	28	16
1966	36	13
1967	27	22
1968	36	14
1969	35	24
1970	19	36
1971	22	37
1972	26	28
1973	20	32
1974	21	30
1975	23	30
1976	32	21
1977	33	18
1978	37	16
1979	40	16
1980	58	11
1981	60	10
1982	35	25
1983	22	36
1984	21	30
1985	17	31
1986	15	37
1987	16	39

Source: Hartley and Russett (1992), "Public Opinion and the Common Defense: Who governs Military Spending in the United States?" *American Political Science Review,* Vol.86, No.4: 905-915.
Notes: Data in the table are the annual average of all possible data from six survey houses. The six houses are as follows: Gallup, the American Institute of Public Opinion, Gallup/ *Newsweek*, Gallup/*times Mirror*; The Roper Organization; the National Opinion Research Center; General Electric/Trendex; CBS, CBS/*New York Times, New York Times*; Yankelovich, Skelly, White/*Time*, Yankelovich, Clancey, Shulman/*Time*.
Survey Question: Do you think we are spending too little, too much, or about the right amount?

1972, 28%) until the Vietnam War ended. This trend of public opinion on defense spending is similar to that on U.S. involvement in world affairs. In short, from 1961 to 1968, public opinion supported the government's foreign policy and did not function as a significant constraint.

Interests

As discussed in the previous chapter, each ally has interests in the alliance that serve as facilitating factors that enlarge its own Win-Set in bargaining on the defense burden. Although the concept of interest is ambiguous, the specific goals and objectives that the respective allies (the U.S. and South Korea) have in maintaining the alliance and conducting cooperative behavior are investigated here. For the purposes of this study, interests will be categorized as security, political or economic ones, although this categorization is not absolute and some interests overlap.[9]

Security Interests The 1950s and most of the 1960s were characterized as an era of "containment" and "massive retaliation," the latter implying a nuclear response to an attack. South Korea, like the NATO allies, was important for the execution of these strategies. South Korea in particular was an important "front nation" to contain Communist expansion during the 1960s. If any hegemonic power such as the Soviet Union or China controlled the Korean peninsula, it could seriously jeopardize security

[9] The specific explanation for each category of interest is discussed in Chapter 3.

interests of the U.S. Thus, the U.S. had a strong incentive to ally itself with South Korea as its ally and to maintain the status quo in East Asia, especially in the Korean peninsula. Maintaining the alliance with South Korea through cooperation allowed the U.S. to have military bases and other facilities within the territory of South Korea which were important to support communications and logistics.

During this period, the United States had another interest in South Korea's cooperative behavior. In response to the Johnson Administration's request, South Korea sent a group of medical and engineering personnel to Vietnam in 1964, and a combat infantry division along with some special forces and a marine brigade the following year. In 1966, South Korea also deployed another combat infantry division to Vietnam (U.S. Senate, 1970: Part 6). South Korea's participation in Vietnam was motivated by commitment to its U.S. ally.

On the other hand, South Korea had significant security interests of its own in allying itself to the U.S. and in cooperating in the context of the alliance. Fearing a strong threat from North Korea, South Korea could shelter under the super military power of the U.S. In other words, during this period, South Korea's defense heavily depended on the U.S. security commitment. In addition, deterrence in the Korean peninsula could be achieved through the security cooperation between the two countries. At this time the credibility of the U.S. as an ally committed to Korea's security was also very high. For example, Vice President Hubert Humphrey announced during his visit Seoul in 1966 that:

> The United States Government and the people of the United States have a firm commitment to the defense of Korea. As long as there is one

> American soldier on the line of the border, the demarcation line, the whole and entire power of the United States of America is committed to the security and defense of Korea. Korea today is as strong as the United States and Korea put together. America today is as strong as the United States and Korea put together. We are allies, we are friends, you should have no questions no doubts (U.S. Senate, 1970: 1723).

In short, South Korea could be an easy-rider, allowing the alliance to meet many of its own security needs, because of the U.S.'s strong strategic interest in South Korea's security. Duke uses the same logic arguing that:

> In burdensharing terms it [massive retaliation] meant that the overt reliance upon nuclear weapons emphasized the US position within the Alliance but also allowed the allies to shelter under a US nuclear umbrella while keeping their own expenditure to a prudent minimum (1993: 48).

Political Interests During this period, the political interests of the U.S., concern over the Cold War and its own international prestige, could be classified as intangible ones (see Chapter 3). After World War II, the U.S. took over the responsibility of protecting Third World countries from expanding communism, and its principal political interest continued to be such containment during the 1960. To this end, the U.S. considered it crucial to prevent South Korea from falling within the communist block.

Since the end of World War II, the U.S. has also felt responsible for ensuring the economic and social development of Third World countries. One of the four principles enunciated at the Manila Conference of October 1966 shows the U.S.'s political interests in supporting Asian countries: "[w]e must break the bonds of poverty, illiteracy and disease throughout Asia and the Pacific area" (McNamara, 1968: 14). President Johnson

also specifically stated that U.S aid to South Korea was intended to attain the common objective of a secure and lasting peace based on freedom, justice, and prosperity for all, and to promote a self-supporting economy in South Korea (*AFP: Current Documents, 1965*).[10]

In short, the stability, freedom, peace, and economic development of South Korea were important political interests for the U.S., though they had no significant economic value. Regarding this political interest, Secretary of Defense, McNamara stated that:

> In the case of Korea, its direct participation in the Vietnam war, its sponsorship and hosting of the Asian and Pacific Council, its ratification of the Status of Forces Agreement with the United States, and President Park's participation in the Manila Conference are its major international accomplishments during the last year. They are indicative of Korea's continuing political development and her expanding role in regional cooperation (1967: 19).[11]

Economic Interests Economic interests were more heavily emphasized after the end of the Cold War, though the U.S. and South Korea had been important trade partners since the 1960s. From 1961 to 1967, the U.S. market accounted for an average of 30% and 45% of South Korea's total exports and imports, respectively. However, of the total U.S. exports and imports during this period, South Korean trade accounted for less than 1%. Thus, a trade surplus or deficit with the U.S. was a much more critical economic

[10] His statement was in the Joint Communique issued at Washington by the President of the United States (Johnson) and the President of the Republic of Korea (Park), May 18, 1965.

[11] This is from the *Statement of Secretary of Defense Robert S. McNamara Before the House Armed Services Committee on the Fiscal Year 1968-72 Defense Program and 1968 Defense Budget* (1967).

factor for South Korea than for the U.S. As Table 4-11 shows, during the 1960s, the U.S. had a continuous trade surplus at a level of between 120 and 260 million dollars, while South Korea suffered consistent bilateral trade deficits with the United States.

For South Korea, the high level of U.S. security assistance (grants and credits) was also an economic interest. As Table 4-11 shows, during the 1960s, South Korea received an average of $200 million per year, a figure that nearly equaled the amount of the bilateral trade deficits. Such assistance significantly contributed to the economic take-off of South Korea, which was frequently cited by the Commission of International Development as one of the success cases of foreign assistance programs (Weaver, 1997). During this period, U.S. economic assistance was aimed at improving and expanding South Korea's agriculture and infrastructure, providing funds for food production and food-related projects as well as for highway, dam, bridge, and railway construction (Weaver, 1997). Military assistance was also an important economic interest and played a major role in economic development. During the 1960s, grants by the Military Assistance Program were a major category of military assistance, while in the 1970s and 1980s they were superceded by Foreign Military Sales credits. In addition, from 1966 to 1973, South Korea received extra defense budget support for sending troops to Vietnam under the name of the Military Assistance Service Fund (MASF). In short, considering both the bilateral trade deficits and U.S. governmental grants and credits, South Korea can be said to have had a moderate level of economic interest in the alliance.

Table 4-11
South Korea's Trade Balance
and Assistance from the U.S.: 1961-1988
(in millions of dollars)

Year	Exports to US(1)	Imports from US(2)	Balance (1-2)	Grants/Credits from U.S.
1961	6.9	143.4	-136.5	230
1962	12.0	220.3	-208.3	238
1963	24.3	284.1	-259.8	240
1964	36.6	202.1	-165.5	158
1965	61.7	182.3	-120.6	165
1966	95.8	253.7	-157.9	165
1967	137.4	305.2	-167.8	193
1968	237.0	449.0	-212.0	191
1969	315.7	530.2	-214.5	260
1970	395.2	584.8	-189.6	198
1971	531.8	678.3	-146.5	194
1972	759.0	647.2	+111.8	221
1973	1,021.2	1,201.9	-180.7	214
1974	1,492.1	1,700.8	-208.7	63
1975	1,536.3	1,881.1	-344.8	314
1976	2,492.5	1,962.9	+529.6	344
1977	3,118.6	2,447.4	+671.2	250
1978	4,058.3	3,043.0	+1,015.3	698
1979	4,373.9	4,602.2	-228.7	228
1980	4,606.6	4,890.0	-283.4	101
1981	5,560.8	6,049.7	-488.9	193
1982	6,118.6	5,955.8	+162.8	337
1983	8,129.0	6,274.0	+1,855.0	449
1984	10,479.0	6,876.0	+3,603.0	208
1985	10,754.0	6,489.0	+4,265.0	58
1986	13,880.0	6,545.0	+7,335.0	-146
1987	18,311.0	8,758.0	+9,553.0	-1,717
1988	21,404.0	12,757.0	+8,647.0	-383

Source: ROK, Ministry of Commerce and Industry, *Materials on Korean-U.S. Trade Relations* (1986), and *The Statistics of Foreign Trade* (1991) published by Korea International Trade Association.
Data for U.S. Government Foreign Grants and Credits are from the series *Statistical Abstract of the United States*, published by the Department of Commerce.
Notes: A minus sign (-) represents a trade deficit for South Korea and a plus sign (+) represents a trade surplus for South Korea. Total net grants and credits received by South Korea are obtained by deducting the returns from gross grants and credits. For a more detailed category of the returns, see *Historical Statistics of the United States: Colonial Times to 1970* (p. 863) published by the Department of Commerce. A minus sign (–) in grants and credits indicates negative figures occurred when the total of grant returns, principal repayments, and/or foreign currencies disbursed by South Korea exceeded new grants and new credits utilized and/or acquisitions of foreign currencies through new sales of farm products. Data for U.S. foreign assistance are confusing and have been estimated and reported in many different ways. This problem is due to differences in the method of reporting, timing, and treating particular items. For example, most data which rely on congressional reports have a problem with confusion due to the time lag between the appropriation for each fiscal year and actual spending by the U.S. executive branch (Ahn, 1992). Thus, this source is the most reliable because it was reported by the executive branch, Department of Commerce.

Overall Evaluation

From 1961 until 1968, South Korea was able to enjoy a relatively small defense burden without any pressure from the U.S. to increase its defense burden. Several contextual factors at both the domestic and state levels can be used to account for this situation. First, during this period, the U.S. perceived the growing strength of the Communist block and the cohesive connection of North Korea with the block, especially China, as a serious threat. North Korea's greater military expenditures, superior weaponry, and willingness to attack indicated through hostile provocation lent credibility to this potential threat. Secondly, while economic conditions in the U.S. were not a constraint, they were so in South Korea. South Korea could not afford to allocate more resources for its defense due to its minimal economic capability compared to that of the U.S. Neither country was constrained by a budget deficit. Third, the U.S. executive branch had political and public support for foreign policy, with little opposition from the Congress or the American public over its decision making on defense spending. Lastly, the U.S. had a strong security interest in having military bases and other facilities in South Korea to promote deterrence. It also had a political interest in protecting South Korea from Communist expansionism and in developing it economically and politically. Another (albeit lower-level) interest was its bilateral trade surpluses with South Korea, though overall U.S. economic interests played a only small role in apportioning the defense burden. In short, despite few contributions by South Korea in terms of the defense burden, the U.S. definitely needed South Korea as its ally because the Korean peninsula was strategically critical and politically important in containing Communist

expansion and also key to other U.S. interests, including economic ones. For South Korea, despite bilateral trade deficits, the economic interest was moderately important because of the large number of U.S. governmental grants and credits. The most important interest for South Korea was the security interest of deterring a North Korean attack.

Due to these environments, the U.S. did not expect South Korea to symmetrically contribute to the defense burden of the alliance. South Korea's smaller defense burdens were not problematic for the U.S. because South Korea's defense capability at that time was not an influential factor in the overall deterrence in the Korean peninsula. Instead, the U.S. considered the right to use South Korean territory absolutely important. Thus, there was no significant pressure or request regarding defense burden from the U.S., and South Korea could enjoy the smaller defense burden during the 1960s. In fact, the U.S. even provided military and economic aid.

In Figure 4-1, the U.S. Win-Set was extended to the point of b1 because of critical security and other interests. In addition, the U.S. did not have domestic constraints which would contract its Win-Set. South Korea also did not contract beyond a1 because its national defense was its primary goal. Thus, South Korea's Win-Set overlapped enough with that of the U.S. to ensure a stable alliance, although its defense burden was far short of that of the U.S. In short, respective Win-Sets largely overlapped without specific conflict or bargaining.

This large overlap explains why South Korea's dependence on U.S. military support cannot be considered as "free-riding" or defection. As argued in Chapter 2, as long as its contributions met U.S. expectations, South Korea was not "free-riding." An

South Korea's Defense Burden (imaginary numbers)

0 5 12...

b1 a1

Ideal preference for South Korea

Ideal preference for the U.S.

Figure 4-1: Win-Sets on the Defense Burden of South Korea

ally can be charged with defection only when its contribution fails to meet a partner's expectation or previously agreed upon levels. Thus, as long as the respective Win-Sets overlap in Figure 4.1, South Korea's dependence cannot be considered "free-riding." That means the smaller ally contributes more than (or at least as much) as the larger ally expects or as needed to confirm to previously agreed upon levels (the larger ally's Win-Set). Only when no overlapped range exists between respective Win-Sets, can this be considered defection. That situation takes place when the smaller ally decreases its contribution and contributes less than the larger ally's expectation or previously agreed upon level (the larger ally's Win-Set) or when the larger ally increases the level of its expectation (i.e., contracts its Win-Set) due to changes in contextual factors.

Since no defection is indicated by South Korea in 1960s, its dependence cannot be classified as "free-riding" but is rather more appropriately designated "easy-riding," meaning that it could enjoy asymmetrically smaller contributions without pressure from the U.S.

However, “easy-riding” takes place within the bargaining context, although tacit or explicit bargaining does not occur. This study categorizes easy-riding as the outcome of latent bargaining, which is defined as a situation of being in a bargaining context in an alliance without any action (tacit bargaining) or negotiation (explicit bargaining). As a situation not a process, latent bargaining can be considered a prevailing condition in any alliance. Latent bargaining exists as long as respective Win-Sets overlap without conflict. Only when a change in a contextual factor disturbs this equilibrium, decreasing or erasing the overlap in Win-Sets, does explicit (negotiations) or tacit (actions) bargaining occur. Because no such change provoked the transformation of latent into explicit or tacit bargaining as regards the defense burden of the U.S.-South Korean alliance, South Korea must be considered as an “easy-rider,” not a “free-rider.”

Tacit Bargaining (Nixon Doctrine): 1969

General Background

Nixon’s statement on Guam on July 25, 1969, which came to be called the Nixon Doctrine, was a turning point for U.S. foreign policy in Asia. This doctrine contains three major principles. First, the U.S. would keep all of its treaty commitments toward its allies. Second, the U.S. would continue to provide the nuclear umbrella to those countries considered vital to American security interests. Third, Asian allies would be encouraged to become responsible for their own security, though the U.S. would continue to furnish military and economic assistance when requested (Nixon, 1970b).

In essence, the Nixon administration wanted all its allies to increase their contributions to their own security. Nixon believed that it would reduce U.S.'s direct involvement abroad and cut its defense burdens. Regarding this, Nixon stated that "it eases our budgetary and balance of payments burdens" (Nixon, 1970a: 1075).[12] He also stated in the same message that "[t]hey are now ready and willing to assume an increasing share of the burden for their own defense, and are developing the strength to do so"(1074). Cordesman (1990) views that strategic factor as follows:

> Since the early 1960s[13], both the Congress and the Executive have tended to view burden sharing as an exercise in which the United States bargains to reduce its defense spending or achieve increases in allied spending without major changes in roles and missions (153).

Regardless of the motivation and purpose behind the Nixon Doctrine, its consequences for East Asian countries, especially South Korea were great.[14] After the

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[12] This statement appears in the *Special Message to the Congress Proposing Supplemental Foreign Assistance Appropriations*, November 18, 1970.

[13] This study argues that South Korea was first in such a tacit bargaining context in the late 1960s.

[14] For more discussion about the motivation and the implications of the Nixon Doctrine, see Crabb's *The Doctrines of American Foreign Policy* (1982). President Nixon showed that a primary purpose of his doctrine was to end the Vietnam War rapidly and escape from any other war in Aisa. What he wanted is "no more Vietnams in the future" (Nixon, 1978: 394-395). Although the American public wanted above all to see the Vietnam War hastily concluded, it also desired on honorable solution. Thus, Nixon's "Dovish" solution which resulted in the immediate and unconditional withdrawal of American forces form Vietnam was favored by few Americans (Crabb, 1982: 288). Among the effects of the Nixon Doctrine were a resurgence of "isolationist" sentiments and an inability to apply the containment strategy effectively. In addition, the U.S. open door policy toward China brought the normalization of relations between the United States and China. However, the Nixon Doctrine did not imply total withdrawal from Southeast Asia. Instead, the United States still sought to ensure its basic security and diplomatic interests in the region (Crabb, 1982).

doctrine was announced, as Table 4-12 shows, American direct and indirect military assistance decreased sharply and completely stopped in 1977. Moreover, in 1971, the Nixon administration withdrew the 7th Infantry Division and left only the 2nd Infantry Division in South Korean territory. Accordingly, the level of U.S. military forces stationed in Korea decreased from approximately 60,000 to about 40,000.

However, these changes did not represent a complete disengagement from South Korean security. On the one hand, the U.S. wanted and expected South Korea to increase its defense burden. More specifically, Nixon expected South Korea to "place a greater defense burden on the Koreans" to compensate for the withdrawal of 20,000 U.S. troops (Nixon, 1970a: 1078). On the other hand, the United States agreed to provide direct military assistance to help South Korea's Military Modernization Program. Nixon requested the additional $150 million in support of the modernization of South Korea's defense (Nixon, 1970a). In addition, in 1977, both countries helped to establish the Korea-U.S. Combined Forces Command (CFC), which was in charge of the practical operation of the ROK-US combined defense system and which was independent from the United Nations Command structure (Lee, 1988).

In response to these changes in the United States, South Korea launched the military modernization plan called "the Five-Year Military Modernization Program" in 1971. This was followed by the "Force Improvement Program" in 1976. These two programs are examples of the Korean government's efforts to enhance their level of military self-reliance. Given this situation, it was inevitable that South Korea would

Table 4-12
Percentage Share of U.S. Military Aid
in South Korea's Total Military Expenditures: 1969-1978

Year	61-68 Ave.	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78
%	81	46.5	43.2	49.7	34.8	27.6	12.3	8.6	4.1	0.3	0.0

Source: Adapted from Young-Sun Ha (1982), "Analysis of South Korean Military Expenditures: Past, Present, and Future," *Journal of International Studies* (in Korean) 7: 289-306.

increase its defense burden. South Korea sought to find more diverse sources for the defense budget in order to finance the military modernization plan, and as a result it instituted a special defense tax[15] in 1975. Table 4-13 shows South Korea shouldering an ever greater share of the defense burden during the 1970s. Before the Nixon Doctrine, defense burdens stayed mostly below the level of 4.2 with an average for 6 years of 3.9% of the GNP. In the late 1970s, its defense burden increased to the level of 5.5% of the GNP. Thus, this significant increase is understood largely as voluntary compliance with what the U.S. expected and intended. As a result, as Table 4-13 shows, the difference in defense burdens between the two countries was reduced and the defense burden of South Korea exceeded that of the U.S. in 1977.

This situation is characterized as tacit bargaining on defense burden-sharing. Tacit bargaining means that actions are taken to influence the target country to change its

[15] It was initially planned to finance the major program of the Force Improvement Program so called "Yulgok" for five years. However, it was renewed twice and ended in 1990.

Table 4-13
Defense Burdens of South Korea and U.S.: 1969-1978
(Military Expenditures/GNP---%)

Year	63-68 Ave.	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78
SK	3.9	3.9	3.7	4.3	4.5	3.7	4.1	4.5	5.3	5.5	5.5
US	8.7	8.7	7.9	7.0	6.6	6.0	6.1	5.9	5.3	5.3	5.1

Source: U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers, 1969-1978.* p. 55 and 71.

policy voluntarily.[16] The U.S. action, through the announcement of the Nixon Doctrine, influenced its Asian allies. The doctrine even explicitly mentioned the need for greater self-reliance on security matters. Practically, this doctrine strongly influenced South Korea to increase its defense burden although there was no official agreement on what the level of South Korea's defense burden should be.[17] Cho (1990) argues that the Nixon Doctrine initiated bargaining between the U.S. and South Korea on defense burden-sharing. Ravenal also argues that the Nixon Doctrine could be construed as an effort for "a fairer distribution of burdens, and a more rational allocation of tasks among allies" (1977: 37). Since the announcement of this doctrine, the United States has continuously requested more defense burden from South Korea.

[16] The specific concept of tacit bargaining is discussed in Chapter 2.
[17] We may assume a certain communication between the two countries (e.g., the U.S. ambassador made statement about the level of South Korea's defense burden to South Korean officials) was conducted. However, there is no public record of such a communication. In addition, there was no agreement, such as agreement being the goal of explicit bargaining. Thus, it is not problematic to categorize the Nixon Doctrine as tacit bargaining.

Why did South Korea increase its defense burden during the 1970s although the U. S. decreased its defense burdens during the same period? In order to answer this question, it is necessary to analyze both domestic and state level factors.

Analysis of Contextual Factors

Threat

Threat in terms of source, capabilities, and intention did not change significantly in the late 1960s. As discussed above, in 1968 and 1969 China was still a strong supporter of North Korea and so a possible joint North Korean-Chinese attack was a threat to both South Korea and the U.S. The capabilities of both Koreas continuously increased, but there were no fundamental changes compared from the early and mid-1960s. North Korea continued to use infiltration to provoke domestic turmoil in South Korea. In short, South Korea and the U.S. still perceived a possible North Korean attack supported by China as a high level of threat.

Economic Conditions

The period of the first Five-Year Economic Development Plan (1962-1966) was the economic take-off stage for South Korea. South Korea achieved an average 7.9% growth during this period. During the late 1960s, the high rate of economic growth continued, with increases of 6.6% and 11.3% in 1967 and 1968, respectively. Despite such a high rate of economic growth, South Korea's relative economic capability was still small compared to that of the U.S. As Table 4-6 shows, South Korea's GNP share in the

alliance in 1967 and 1968 was still less than 1% and its per capita GNP as a percentage of the US per capita GNP remained at the same level as for the previous period. South Korea's Prosperity Index was even worse, less than 0.03% in 1967 and 1968.

In terms of the budget deficit, South Korea was not limited in decision-making on defense policy. Until 1967, as seen in Table 4-6, the budget deficit was less than 0.6% of the GNP and so posed no significant problem. In 1968, South Korea even experienced a budget surplus. Thus, the budget deficit did not function as a constraint for South Korea in decision-making on defense policy. For the U.S. the budget deficit stayed below 1.3% of the GNP until 1967, and though it sharply increased to 2.8% of the GNP in 1968, it did not play a significant role in defense plans.

In sum, for the U.S., economic conditions did not function as a significant constraint in decision-making on defense policy. Although the budget deficit did not play a role as a constraint for South Korea, its relatively small economic capability in terms of GNP share, relative per capita GNP, and Prosperity Index did constrain its decision-making on the defense burden.

Political and Public Support (U.S.)

Congressional Debate During the late 1960s, with the adoption of NATO's "flexible response" strategy in 1967, the burden-sharing issue became of greater interest to the U.S. Congress. As Table 4-7 shows, Senator Michael J. Mansfield continued to introduce Senate resolutions recommending that U.S. troops in Europe be reduced and that NATO allies' contribution to their common defense be increased. Moreover, Senator

Symington also introduced an amendment in 1968 requesting that military assistance to Europe be limited to funds needed to support 50,000 U.S. troops. The Symington Amendment was more far-reaching in form and content than Mansfield's previous resolutions. Yet, the Soviet invasion of Czechoslovakia made them inopportune. Although none of these resolutions and amendments were adopted in Congress, they did serve to convince many congressmen that a smaller U.S. troop presence in Europe and a greater self-reliance on defense by allies were needed. Williams argues that these congressional activities helped lead to the formulation of the Nixon Doctrine and "[t]he Nixon Administration's response to these pressures was a mixture of accommodation and intransigence" (1985: 161). In short, Mansfield and Symington significantly increased congressional concern and activity on defense burden-sharing, though their proposals were not adopted.

During the late 1960s, Congress functioned as a strong constraint for the administration's foreign policy by limiting its appropriation for defense spending. As Table 4-8 shows, in the late 1960s Congress made the largest cut in defense spending since the Korean War. The Congress cut 6.8% of the requested amount in 1968 (for FY 1969) and 7.5% in 1969 (for FY 1970). That high cut rate continued until the mid-1970s. The $5.6 billion cut by the Congress in defense spending for fiscal 1970 was the largest reduction in a defense appropriations bill since fiscal 1954. The major reduction was due to the Senate's prohibition against the introduction of U.S. ground combat troops in Laos and Thailand and its wish to contain the level of funds designated for Vietnam War operations (*1969 CQ Almanac*). In short, during the late 1960s, Congress functioned as a

strong constraint on the administration's foreign policy, at least in terms of decision-making on defense spending, and as a moderate constraint in terms of legislative activities on burden-sharing.

Public Support Table 4-9 shows a significant pattern of decline in public support for U.S. involvement in world affairs from 79% in 1965 to 66% in 1973, the lowest level in three decades. This declining trend was ultimately influenced by growing opposition to the U.S. involvement in the Vietnam War.

A Gallop survey conducted between 1965 and 1973 also indicated less public support for the U.S.'s involvement in the Vietnam War, with the number of those surveyed considering it a mistake rising from 24% in 1965 to 61% in 1971 (Table 4-14). Thus, there is little doubt that more American people opposed U.S. involvement in world affairs in the late 1960s than during the early and mid-1960s. Such a negative public attitude towards involvement in world affairs served as a strong constraint on the administration's foreign and especially its defense policy. In fact, it may be in large part responsible for the formulation of the Nixon Doctrine, since Nixon himself states in his memories that the primary motivation behind that doctrine was to prevent "another Vietnam"(1978: 394-5).

As results of another survey question, Table 4-10 also shows significant changes in the late 1960s and the early 1970s. In 1969, public support for defense spending began to decrease and in 1970 it dropped sharply. Only 14% of the public believed that U.S. defense spending was too much in 1968, but that number increased to 36% in 1970,

Table 4-14
Public Opinion on the Vietnam War: 1965-1973

Year	1965	1966	1967	1968	1969	1970	1971	1973
%	24	31	45	54	58	56	61	60

Source: "Sensible Internationalism," *Public Perspective*, provided by The Roper Center for Public Opinion Research. March/April 1993. <http://web.lexis-nexis.com/universe/document?_...a41%25a3&_md5=7eb09cb9067c27bde0146a362813a0f>.
Notes: Numbers for each year in the table are the percentages of American people who believed the United States had made a mistake in sending troops to fight in Vietnam.
Question: In view of the developments since we entered the fighting in Vietnam, do you think the United States made a mistake sending troops to fight in Vietnam?

which was more than the public who believed defense spending was too little. These dramatic changes in public opinion were also influenced by the Vietnam conflict (Russett, 1975).

In sum, in the mid-1960s, public support for the government's foreign policy such as involvement in world affairs and defense spending was very high. However, in the late 1960s and early 1970s, the public's opposition to the government's foreign policy was relatively greater than in the previous period. This served as a moderate constraint for the government's foreign policy decision-making.

Interests

Security Interests Security interests in the alliance in the late 1960s for the U.S. and South Korea remained largely the same. Although the Nixon Doctrine disappointed many U.S. allies, it did not signal a change in the U.S. containment policy but only in its means of support. Nixon reaffirmed that "[i]t is in America's national interests to support

the growing efforts of our friends" (Nixon, 1970a: 1075).[18] The U.S. containment policy remained the basis for its foreign policy decision-making. In 1968, McNamara explicitly mentioned in his statement before the Senate Armed Services Committee that

> ....we are a Pacific Ocean state. Our west coast borders on the Pacific and our 50th state lies halfway across that ocean. Moreover, we have important historical ties and treaty commitments to many of the nations in the Western Pacific. So, we have a vital strategic interest in that area, an interest that we cannot ignore (1968: 13).

This continuing strategic interest is evidenced by President Nixon's additional request of $150 million to support the modernization of South Korea's defense so as to enable it to effectively meet threats once part of the U.S. forces were withdrawn from South Korea (Nixon, 1970a).

Basically, as discussed in the previous section, the alliance furthered important security interests for both the U.S. and South Korea. The U.S. had preemptive and strategic interests for cooperating in the alliance. The U.S. allied with South Korea in order to prevent South Korea being absorbed by Communist powers. In addition, the U.S. could obtain the use of South Korea's territory for its strategic purposes. South Korea was an important ally to the U.S. because South Korea is strategically located near Manchuria and Russia, and so is considered as a front-line state in the global containment of Communism. South Korea allied with the U.S. in order to protect against North Korean attack. The alliance with the U.S. and more specifically the presence of U.S. forces in the Korean peninsula served as an important deterrent to the outbreak of war in

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[18] This statement is in *Special Message to the Congress Proposing Supplemental Foreign Assistance Appropriations* on November 18, 1970.

the Korean peninsula. In short, security interests for both countries remained as important as during the previous period.

Political Interests With Nixon's election in 1969, there were some changes in U.S. foreign policy in general and as regards South Korea in particular. Although Nixon proposed to honor basic commitments such as providing a nuclear umbrella for allies, he also sought to encourage allies to shoulder more of the burden for local defense. With U.S. antiwar sentiment running high, there was pressure to decrease U.S. troop presence abroad so as to minimize the possibility for U.S. involvement in another war. Nixon stated in his report to the Congress that:

> ...while we maintain our interests in Asia and the commitments that flow from them, the changes taking place in that region enable us to change the character of our involvement. The responsibilities once borne by the United States at such great cost can now be shared (1970: 54).[19]

South Korea was not an exception. The U.S. withdrew one of two U.S. infantry divisions stationed in the Korean peninsula, compensating for this withdrawal by initiating a Five-Year Military Modernization Program (Roehrig, 1995).

Nixon (1970a) explained that there were no changes in the objectives or goals of U.S. foreign policy in South Korea, but rather changes only in the means. Nixon stated that "[h]elping countries that demonstrate the capability to help themselves enables us to reduce our direct overseas involvement" (Nixon, 1970a: 1075), and "[w]hile reducing the

[19] This report to the Congress is entitled *U.S. Foreign Policy for the 1970's: a New Strategy for Peace*, on February 18, 1970.

direct participation of our forces we must help these other countries develop the capability to carry out the increased responsibilities they are assuming" (1076). In short, Nixon's strategy could be interpreted as a new policy which sought both to protect U.S. credibility by preventing the fall of another ally and to minimize the risk of another involvement as disastrous as that in Vietnam.

The change in the means by which U.S. objectives were to be attained had important repercussions for South Korea. U.S. attempts to reduce the chances of involvement in another war in Asia influenced South Korea significantly. For South Korea, the presence of U.S. forces was more important than other means of assistance for deterring North Korean attack. As discussed in Chapter 2, the possibility of abandonment by a larger ally is a critical risk for a smaller ally. This risk forces the smaller ally to voluntarily allocate more resources to its defense. In this case, South Korea had a greater risk of abandonment, and was forced to increase its defense burden because of an increased possibility of abandonment. Thus, the alteration in the means employed by the U.S. to attain its security goals can be considered as action (tacit bargaining) that promoted a voluntary increase in South Korea's defense burden.

Economic Interests Both South Korea's total exports and imports to the U.S. continued to expand during the 1960s. In 1968, the share of the U.S. market in South Korea's exports reached 52%, the highest share in bilateral trade history (Moon, 1988). Nevertheless, as Table 4-11 shows, South Korea's bilateral trade deficits increased to over $200 million in 1968 and 1969, a large deficit (3% of its GNP) relative to its overall

capability. Though an economic interest for the U.S. as well, this deficit represented only about 0.6% of its GNP.

On the other hand, U.S. economic interest in South Korea increased in terms of foreign assistance. During 1968-1969, as Table 4-11 shows, total net U.S. grants and credits were over the average of $200 million and were as large as South Korea's bilateral trade deficits. While the amount of economic assistance was roughly comparable to that of military assistance until 1966, military assistance doubled during the late 1960s,[20] probably due to the extra defense budget support under the name of the Military Assistance Service Fund (MASF) received by South Korea for sending troops to Vietnam.

In sum, during the late 1960s, although South Korea suffered bilateral trade deficits, U.S. economic and military assistance presented a minor incentive for South Korea to meet U.S. expectations by increasing its defense burden.

Overall Evaluation

Analysis of contextual factors at the domestic and state levels helps explain South Korea's increased contributions to the defense burden at a time when U.S. contributions decreased. During the late 1960s, the degree of threat in terms of source, capabilities, and intention was at the same level as during the early and mid-1960s. A possible North Korean attack supported by China and/or the Soviet Union was perceived as a serious

[20] For detailed comparisons between economic assistance and military assistance, see Weaver (1997: 178, Table 2).

threat by both the U.S. and South Korea.

Although the relative economic capability of South Korea slightly increased in the late 1960s, it was still too small to compare to that of the U.S. South Korea's constrained economic conditions hampered its ability to increase its contribution to the dense burden, whereas the economic conditions in the U.S. did not constrain its foreign policy. Major changes occurred in the political but not the security and economic interests of the U.S. Both the U.S. and South Korea had a few economic interests and many security interests. Though the basic political interests of the U.S. in Asia and especially in South Korea did not change, the Nixon administration changed the means by which policy goals were to be met. This change caused South Korea to fear abandonment by the U.S. and so to increase its defense burden in both a voluntary and a coerced manner.

Another major change in the late 1960s was strong opposition to the administration's foreign policy from the U.S. Congress and the public. During the late 1960s, congressional debates over whether the U.S. should reduce U.S. troop presence abroad and increase allies' defense burdens were frequent. In addition, Congress made the largest reduction in a defense appropriations bill since fiscal 1954. The public also showed strong opposition to active U.S. involvement in world affairs and less public support for defense spending as a result of the Vietnam War. In short, strong opposition to foreign policy from the Congress and the public acted significant constraints to U.S. foreign policy decision-making.

In Figure 4-2, U.S. congressional and public opinion as well as some changes in political interest are shown to act as constraints, making the U.S. Win-Set move from b1 to b2. These domestic constraints contracted the limit acceptable to the U.S. for South Korea's defense burden. Thus, the U.S. acceptable limit moved from b1 to b2. South Korea, with a slightly better economic conditions, had to move its Win-Set from a1 to a2 to maintain critical security interests.

South Korea's increase of its defense burden could be understood as both voluntary and coerced. It was voluntary in as much as South Korea pursued self-reliance because of fear of abandonment. It was coerced in so far as norms set by the alliance compelled the change.

Thus, the analysis of contextual factors at the domestic and state levels based on the concept of Win-Sets provides the rationale for adopting a bargaining model. That is, there exists a bargaining process (formal or informal) between allies on the defense burden. This case of bargaining was largely initiated by the announcement of the Nixon Doctrine. In addition, there is no public record that diplomatic exchanges or formal negotiations were undertaken to reach an agreement on the defense burden of South Korea. Thus, this study characterizes this case as tacit bargaining. As argued in Chapter 2, tacit bargaining is a process that relies on actions (e.g., the Nixon Doctrine) intended to influence its partner's policy changes. This bargaining should also be considered as tacit rather than as explicit because no efforts were taken to reach an agreement on the defense burden, which is a goal of explicit bargaining.

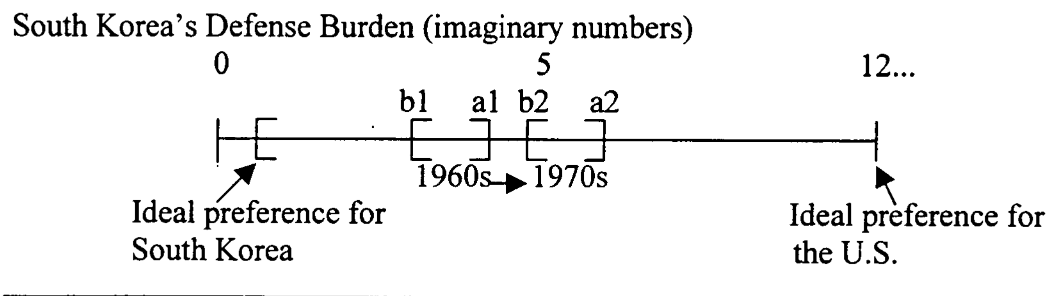

Figure 4-2: The Changes of Win-Sets on the Defense Burden of South Korea, 1969

This case of tacit bargaining supports the point that the direction of changes (e.g., positive or negative) in defense burdens for a smaller ally is not necessarily the same as that of the larger ally. As discussed above, although the U.S. decreased its defense burdens during the 1970s, South Korea increased its defense burdens. As Figure 4-2 shows, changes in respective Win-Sets are able to explain why South Korea increased its defense burden even as the U.S. decreased its own. Thus, the relaxed bargaining model proves to have greater explanatory power than Palmer's bargaining model, which argues only a positive relationship between changes in the defense burden of the larger ally and the smaller ally.

CHAPTER 5

EXPLICIT BARGAINING

Two cases of explicit bargaining on the defense burden are discussed in this chapter. The first one is the agreement negotiated between Presidents Carter and Park to increase South Korea's defense burden to 6% of the GNP. After the agreement between the two countries, South Korea increased its defense burden to over 6% of its GNP and continued it at that level for three years. The other case of bargaining considered in this chapter is the 20th Annual Security Consultative Meeting in 1988 where sharing costs for the stationing of U.S. troops in Korea was discussed. As a result, South Korea paid 45 million and 70 million dollars in 1989 and 1990, respectively, for the costs of U.S. forces in the Korean peninsula. Using the relaxed bargaining model, this chapter analyzes four (five for the latter case of bargaining) factors to elucidate why South Korea consented to these two agreements.

Bargaining on 6% of the GNP: 1979

General Background

In June 1979, important bargaining on defense burden-sharing took place between Presidents Carter and Park in Seoul. They discussed security in Asia, the U.S. troop

withdrawal plan,[1] and human rights in Korea. On the condition that the U.S. abandon Carter's U.S. troop withdrawal plan, South Korea agreed to increase its defense burden to 6% of its GNP for the following year.[2] The issue of the defense burden was fully discussed in meetings between the respective ministers of South Korea and the U.S., and final agreement was made in the summit meeting between Presidents Carter and Park.

This meeting is the first instance of explicit bargaining on the defense burden between the two countries. As seen in Table 5-1, the defense burden of South Korea reached over 6% of its GNP for the first time in 1980. In January 1980 Secretary of Defense Harold Brown stated in his *Annual Report to the Congress* that "as a result of the President's visit to South Korea in June, 1979, it was agreed that ROK [Republic of Korea] military spending for 1980 would be raised to about six percent of its GNP"

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[1] Although Carter's U.S. troop withdrawal plan was not designed to use in bargaining on the defense burden with South Korea, the U.S. *de facto* used it as leverage in the bargaining process. His withdrawal plan was officially announced in March 1977. The withdrawal plan was both a surprise and disappointment to South Korea because it was made without consideration for the importance of the stability of the region to the global containment of Communism. Many members of the U.S. Congress, military leaders, and America's Asian allies had misgivings about the withdrawal plan and opposed it. After a long debate, the plan was withdrawn. For more information about this plan, the following references are helpful: the *Review of the Policy Decision to Withdraw U.S. Ground Forces from Korea* (Report of the Investigations Subcommittee of the Committee on Armed Services house of Representatives, U.S. Congress, House, 95th Congress, 2nd session), *Power and Principle: Memoirs of the National Security Advisor* (Z. Brzezinski, 1983), *Hard Choices* (C. Vance, 1983), *Thinking about National Security* (H. Brown, 1983), and *The United States and the Republic of Korea: Background for Policy* (C.A. Buss, 1982).

[2] Although South Korea agreed to accept the United States' suggestion that it increase its defense burden to the level of 6% of its GNP, that was not the reason for the cancellation of Carter's withdrawal plan. In fact, the main reason for cancellation of the original plan was the intelligence reassessment of North Korean's military capabilities conducted by both the Central Intelligence Agency and the Defense Intelligence Agency with a severe opposition by many members of the U.S. Congress and military leaders.

(DOD, *Annual Report*, 1980: 51). The American desire for South Korea to increase its defense burden to 6% of its GNP continued during the Reagan administration. Minister of National Defense Yoon Song-Min made reference to this desire in his 1985 speech to the ROK National Assembly stating that "the United States has continuously showed its concern over whether South Korea keeps its promise to sustain the 6% of GNP defense spending" (Hyun, 1990: 186).

Why did South Korea make an agreement with the U.S. requiring it to accept such a large level of defense burden? Why should South Korea comply with the U.S. request? The following analysis of contextual factors using the logic of Win-Sets will help answer these questions.

Table 5-1
Defense Burden of South Korea and the U.S.: 1979-1986
(Military Expenditures/GNP---%)

Year	71-78 Ave.	1979	1980	1981	1982	1983	1984	1985	1986
SK	4.1	5.2	6.1	6.2	6.1	5.5	5.1	5.1	4.8
US	5.9	4.9	5.3	5.6	6.2	6.4	6.3	6.6	6.6

Source: U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers, 1989*. p. 53, and p. 69.

Analysis of Contextual Factors

Threat

Source Unlike the 1960s and early 1970s, high-ranking U.S. officials who were in charge of defense policy perceived the Soviet Union as a primary threat. Since the 1972 summit meeting between the United States and China, the relationship between the two countries had improved dramatically. And in the reports to the Congress by the Secretary of Defense in the late 1970s, China was not even considered a considerable threat. In a 1978 report to the Congress Secretary of Defense Brown clearly designated the Soviet Union as the U.S. primary adversary:

> Perhaps most disturbing of all, the Soviet Union continues to invest heavily in both the modernization and the improvement of its armed forces, and in the infrastructures necessary to continue and expand this effort. As far as we can judge, the Soviet Defense effort increased in real terms by about 36 percent between 1967 and 1977. ...The Soviet defense effort now exceeds that of the United States by 32 percent overall, and by 40 percent when retirement costs are excluded (DOD, *Annual Report* 1978: 19-20).

In the report to the Congress in 1979, Brown stated that "[a]mong our international problems, the Soviet Union undoubtedly looms as the largest adversary player" (DOD, *Annual Report*, 1979: 4). And the Department of Defense deemed the Soviet Union's rapid and large military buildup as an incentive for aggressive behavior. Harold Brown highlighted these concerns in his 1979 report:

> But the fact that they have put so much of their effort into the production of military power is most troubling. Their failure to compete successfully in other arenas can increase the incentive for the Soviets to use their military power and their influence and to gain political advantage, whether

> by direct application of military force, through intimidation, through proxies, or through arms transfers (DOD, *Annual Report,* 1979: 4).

However, unlike the 1960s, the Soviet Union, though perceived as a primary adversary for the U.S. in general, was not considered as a critical factor in the Korean peninsula in the 1970s. During the 1960s, North Korea had been considered an important threat by the U.S. only because of potential Chinese or Soviet support. In the late 1970s, high-ranking U.S. officials did not believe that the Soviet Union or China would initiate or become involved in a conflict in the Korean peninsula, since North Korea had *de facto* lost its patrons. The Sino-Soviet dispute, Soviet acquiescence in the Cuban Missile Crisis, Sino-U.S. détente were all signs that its old patrons had become unreliable (Roehrig, 1995). Such unreliability was further underlined when even Kim Il Sung's visit to China in April of 1975 failed to bring any pledges of substantial support by the Soviet Union. Thus, during the late 1970s, U.S. policy makers believed that the major threat to stability in the Korean peninsula was North Korea acting alone. U.S. Secretary of Defense Brown stated in his 1979 report that "[o]f course, the geopolitical situation of the North has changed substantially since 1950 as well. As far as we can tell, neither the Chinese nor the Soviets seem willing to lend support to any North Korean impulse for adventurous aggressive action" (DOD, *Annual Report,* 1979: 50).

Because Chinese or Soviet support for North Korea aggression seemed unlikely, the U.S. perceived the threat posed by North Korea as smaller than it had in the 1960s. However, for South Korea, North Korea still posed a high level of threat.

Capabilities No longer believing the Soviet Union and China to be reliable patrons, Kim Il Sung led an effort to build up North Korea's conventional military forces including personnel. Based on the new assessment conducted in early 1979, the U.S. Army and the Central Intelligence Agency (CIA) believed North Korea had the fifth largest ground force in the world (*The Washington Post*, Jan. 17, 1979).

However, in terms of the size of military expenditures, as Table 5-2 shows, the superiority of North Korea had ended, and since 1975 South Korea had spent more than North Korea for defense. South Korea continuously increased its defense expenditures to

Table 5-2
Relative Military Expenditures: 1974-1980
(in millions of dollars, Constant 1982)
(North Korea/South Korea)

Year	1974	1975	1976	1977	1978	1979	1980
NK	2471	1786	2050	1847	1802	1674	3493
SK	1773	2042	2807	3172	3712	3405	3822
NK/SK	1.39	0.87	0.73	0.58	0.49	0.49	0.91

Source: U.S. Arms Control and Disarmament Agency (ACDA), *World Military Expenditures and Arms Transfers (WMEAT), 1973-1983*, p. 69.
Notes: The military expenditures of North Korea provided by this source are estimated values. The sharp increase in 1980 is a reflection of a new assessment by the U.S. Army and the Central Intelligence Agency. The original sources and a description of the way the U.S. ACDA measures data for the communist countries are included in the section entitled "Statistical Notes" in every issue of *WMEAT*.

pursue self-reliance initiatives such as the Force Improvement Program. Especially during the late 1970s, South Korea allocated more money to military spending, nearly doubling that of North Korea. The rapid growth of South Korea's military capital stock implies that South Korea was catching up with North Korea. Thus, in terms of military expenditure, the threat from North Korea decreased compared to previous period.

However, despite South Korea's superiority in capital terms, North Korean weapon systems doubled those of South Korea. Especially during the 1970s, North Korea initiated a substantial buildup of weapon systems. Since 1970, North Korea had developed an arms industry and continuously manufactured most of its ground weaponry. North Korea was dependent on the Soviet Union only for highly advanced equipment such as combat aircraft and surface-to-air missiles (Niksch, 1983a). In 1978, the CIA and the U.S. Army intelligence unit conducted a new assessment of North Korea's capabilities. According to the new assessment, North Korean military capabilities including ground force strength, tanks, APCs, and artillery were about 25% higher than previously believed (*The Washington Post*, Jan.17, 1979).

Table 5-3 compares the major weapon systems of the two Koreas. North Korea had a numerical advantage in nearly every category. As the table shows, North Korea had a numerical advantages of about 2: 1 for tanks, 3:2 for artillery and 3:1 for combat aircraft, though South Korea maintained more total armed forces than North Korea. North Korea further increased the number of tanks, APCs, and artillery, and in 1978 began to produce its own version of the T-62 which was the main Soviet tank until 1976 (Niksch, 1983a).

Table 5-3
Comparison of Military Capabilities
Of South and North Koreas, 1978

Category		South Korea	North Korea	
Armed Forces				
Total		642,000		512,000
Army		560,000		440,000
Navy(*)		52,000		27,000
Air Force		30,000		45,000
Army				
Tank		880 (some M-60s, 880 M-47s/48s)		2,000 (T-34s/54s/55s/62s Type-59s)
Armored Fighting Vehicle				
APC		520 (500 M-113s/577s, 20 Fiat 6614s)		800
Artillery				
105-203mm		2,000	76-152mm:	3,000
MRL				1,300
Missiles				
SSM:	*Honest John*	some	SSM: *Frog-5/7*	9
SAM:	*HAWK*	80	SAM: SA-2**	250
	Nike Hercules	45		
Navy				
Submarines		-		15
Destroyers		9		-
Frigates		-		3
Amphibious craft		22		90
Air Force				
Fighting Aircraft				
	F-5 A/E	181	Su-7	20
	F-16 C/D	20	MiG-15/17	320
Interceptors				
			MiG-19/21	230
Counter-Insurgency				
Reconnaissance				
	RF-5A	10		

Source: International Institute for Strategic Studies, *The Military Balance, 1978-1979*, (London, 1978), pp.63-64.
Notes: * This number includes Marine Corps. ** This category belongs to the air force.

North Korean naval forces could boast 15 submarines, whereas South Korea had none. With an absolute numerical advantage (by 4: 1) in amphibious craft, North Korea was capable of amphibious raid along South Korea's coastal area. North Korea had also reinforced its air force with the more modernized MiG-21. In terms of overall combat aircraft, North Korea enjoyed a superiority over South Korea of about 3 to 1.

During the 1970s, South Korea was not idle in building up its own defense capability. The South Korean defense industry manufactured up to 70% of needed arms and equipment, including heavy artillery, mortars, M-16 rifles, surface-to-surface missiles, and armored personnel carriers (Niksch, 1983b). Along with this expanded defense industry, South Korea improved its capabilities by acquiring more F-5s under a special improvement program. Yet, these advances proved too few to offset North Korea's numerical advantage. According to a report by the U.S. Secretary of Defense, the presence of U.S. forces was necessary to maintain the equivalence between the two Koreas (DOD, *Annual Report,* 1980).

A more threatening factor was North Korea's capability for conducting a surprise attack. North Korea concentrated all its armed forces, including troops, artillery, and ammunition, just north of the DMZ. About half of its forces were within a few miles of the DMZ (Niksch, 1983a). Should North Korea conduct a surprise attack, South Korea and U.S. forces would have very little warning time.

In short, although South Korea was superior to North Korea in terms of the total number of armed forces and defense expenditures, North Korea enjoyed a superiority in overall military capability.

Intention Presumption of an intention to attack based upon hostile provocation is also an important aspect of threat. During the 1970s, in addition to its continuous attempts to infiltrate along the DMZ and coast, North Korea committed two prominent provocations, which were regarded as national crises by South Korea. The first incident was the North Korean attempt to assassinate President Park Chung-Hee on August 15, 1974. Although the North Korean agent, Mun Se-gwang, failed to assassinate President Park, the South Korean First Lady was shot to death. It was a huge shock and tragedy for South Koreans. The other provocation was the killing of two U.S. Army officers by North Korean soldiers in the Joint Security Area (JSA) with an axe on August 18, 1976. Two U.S. Army officers who were supervising the trimming of a poplar tree in the JSA were attacked by about 20 North Korean soldiers and killed.

In addition to these hostile provocations, North Korean intention to attack could be revealed in their digging tunnels under the DMZ. Three tunnels were discovered during this period, one each in 1974, 1975, and 1978.[3] These tunnels could be used for maneuvering North Korean special forces behind the ROK Forward Edge of Battle Area (FEBA) either prior to or during an invasion. Thus, hostile provocations and tunnel-digging by the North Koreans seemed to establish their intention to invade.

In sum, despite South Korea's superiority in military capital stock during the late 1970s, the threat from North Korea had not changed significantly. North Korea's hostile provocations along with its almost twofold superiority in weapons system, were major

[3] The fourth tunnel was discovered in March 1990. It is possible that more tunnels remain as yet undiscovered.

sources of the threat perceived by South Korea. South Korea's perception of threat from North Korea was still high in terms of both military capability and intention. However, America's perception of threat from North Korea was not as high either as it had been in the 1960s nor as South Korea's continued to be because there was little possibility of Chinese or Soviet involvement.

Economic Conditions

The dramatic economic growth of South Korea since 1963 continued during the 1970s. Especially from 1976 to 1978, the economic growth rate reached double digits (13.4% in 1976, 10.7% in 1977, and 11.0% in 1978). Due to this rapid economic growth, the relative economic capability of South Korea increased. As Table 4-6 in Chapter 4 shows, South Korea's GNP share crossed the 2% line in 1978. The relative size of the per capita GNP for South Korea reached double digits for the first time (10.1% in 1977 and 11.8% in 1978). The Prosperity Index also continuously increased and reached nearly 0.3% in the late 1970s, which represents almost a 100% growth over the last decade. Although it was still small compared to that of the US, South Korea's relative economic capability had improved significantly.

While the budget deficit for South Korea was not problematic, it was a constraint in decision-making on defense plans in the U.S. During the late 1970s, the U.S. government suffered a high budget deficit. As Table 4-6 shows, the budget deficit of the U.S., reached over 4% of its GNP for the first time in 1976. Growing U.S. budgetary constraints partly impacted on the Cater Administration's negative commitment to the

U.S.-South Korean alliance and its attempt to withdraw U.S. forces from South Korea (Tow, 1993). However, the budget deficit for South Korea was not a problem during the same period. The budget deficit of South Korea stayed below 1.8% of GNP during this period.

In summary, the budget deficit presented a constraint on the decision-making by the U.S. but not by South Korea on defense plans. Instead, South Korea was moderately constrained by its relative economic capability, even though it had significantly increased.

Political and Public Support (U.S.)

Congressional Debate In the early 1970s, Senator Mansfield introduced an amendment requiring that U.S. troops in Europe be reduced by 50 percent by the end of 1971. He continued to keep the issue alive and to maintain pressure on the President. He also introduced four amendments on the issue of U.S. forces in Indochina during the early 1970s. In June 1971, he introduced an amendment urging the President to withdraw U.S. forces from Vietnam if American prisoners of war were released. He continued keeping pressure on the Administration with more amendments concerning both Europe and Indochina until 1974. However, none of his amendments were adopted.

Legislative activities increased during the early 1970s, as Table 4-7 shows. Jackson and Nunn introduced an amendment requiring U.S. allies to offset the balance of payments deficit in FY 1974 and automatically reduce U.S. forces such payments were not received. Nunn and Culver also introduced an amendment to request standardization

of U.S. forces in Europe. Until early 1974, congressional debate on the defense burden in terms of armed forces and contributions to a common defense had increased continuously since Mansfield's resolution in 1966.

However, as Table 4-7 shows, during the late 1970s, there was no significant congressional debate on the level of U.S. forces or on defense burden-sharing. Since 1974, the interest in such issues had declined, in large part because of the Yom Kippur War of October 1973 (Williams, 1985). In the aftermath of the war the Soviet-American confrontation resumed and anti-Communism became respectable once again. Domestically, the Senate's sentiment of opposition to troop withdrawals was stronger than at any previous period, and concerns over the balance of payments and the budgetary costs of troop deployment in Europe were not as intense as before (Williams, 1985). Thus, with these international and domestic changes, the proponents of reduction of U.S. forces in Europe lost support.

Regarding the level of U.S. forces in South Korea, Congressional power even forced Carter to back way from his intention to withdraw troops from the Korean peninsula. For example, Murphy (HCR.272) and Edwards (HCR.260) expressed the sentiment of Congress that the United States should not take action to withdraw U.S. ground forces from South Korea until the Congress had examined the American security commitment to Korea and the effects such a withdrawal would have on the stability of the Korean peninsula (*Thomas*). Thus, during the late 1970s, Congress did not function as a constraint on the burden-sharing debate with South Korea.

Unlike the 1960s, Congress did not cut defense spending significantly in the late 1970s. During most of the Carter Administration, as Table 4-8 shows, Congress cut defense spending only slightly, and even added $5.2 billion to the administration's requested defense budget for FY 1981. In 1978 and 1979, Congress cut only 1.7% and 1.0% of the defense spending requested, respectively. Congress granted most of the requests because of the administration's security policy of lowering defense spending. International crises such as the Soviet invasion of Afghanistan and the seizure of the U.S. Embassy personnel in Iran in late 1979 also influenced those low cut rates of defense spending in Congress.

In sum, in terms of both legislative activities on burden-sharing and decision-making on defense spending, Congress did not function as a significant constraint for the U.S. administration during the late 1970s.

Public Support Table 4-9 shows a dramatic pattern of decline in public support for internationalism in the 1960s and the 1970s. In the early 1970s, public support for an U.S. active role in world affairs decreased sharply, from 79% in 1965 to 66% in 1973. In 1973, for the first time in American history, more than 30% of Americans believed that the U.S. should stay out of world affairs and this strong opposition to active involvement continued for the entire 1970s. Lanouette characterized the mood of the public during this period as "cautious internationalism," implying a more limited and selective involvement in world affairs (1978: 1219).

This declining support for internationalism was influenced by the Vietnam conflict. During the Vietnam conflict, opposition to the U.S. involvement in the war and in other types of world affairs grew significantly. Moreover, public opinion began to be considered more seriously (Bardes, 1997). After the end of the Vietnam War, especially in 1978 and 1982, 32% and 34% of the public, respectively, wanted to stay out of world affairs, a much greater percentage than at any other periods.

Thus, during the late 1970s and early 1980s, the U.S. government's involvement in world affairs was not supported by the public as much as during the early and mid-1960s. Public opinion on foreign policy functioned as a more significant constraint for the government's foreign policy decision-making process than in the early and mid-1960s.

However, during the same period, the results of the other survey question were inconsistent with those of the first question. Whereas during this period a very high percentage of the public favored staying out of world affairs, only a small percentage of the public (range from 16% in 1978 and 1979 to 10% in 1981) believed the U.S spent too much for defense. Especially in the early 1980s, more than half of Americans believed the defense spending was too little.

This public support for defense spending is strongly correlated[4] with the low rate of congressional defense spending cuts, as can be seen in Table 4-8. In other words, neither the Congress nor public opinion posed a significant constraint on defense

[4] The correlation coefficient between the percentage of the public who believe defense spending is "too much" and the congressional cut rate of defense spending is 0.75.

spending. This lack of opposition in the public and Congress to the policy on defense spending was influenced by the Soviet invasion of Afghanistan and the Carter Administration's security policy of lessening defense spending. During this period, more Americans perceived a threat from the Soviet Union and favored more defense spending (Kriesberg and Klein, 1980). Congress also perceived a greater threat after the seizure of the U.S. Embassy personnel in Iran and the Soviet invasion of Afghanistan in 1979 (*1980 CQ Almanac*).

In sum, while public opposition to active U.S. involvement in world affairs was relatively high in the late 1970s, the majority of Americans did not think defense spending by the U.S. was excessive. Thus, public opinion placed a constraint on U.S. involvement in world affairs, but not on its defense spending.

Interests

Security Interests The strategic importance of the Korean peninsula was still a security interest for the U.S. Although President Carter attempted to withdraw U.S. ground forces from South Korea, he reiterated how critical the deterrence of war in South Korea was to U.S. security interests. In 1977, Carter stated in his letter[5] to the Congress that "[p]eace and stability in Northeast Asia are vital to our national interests, and stability on the Korean peninsula is essential to that goal (*AFP: Basic Documents, 1977-*

[5] Letter from the President (Carter) to the Speaker of the House (O'Neill), the President of the Senate (Mondale), and the Senate Majority Leader (Byrd), October 21, 1977.

1980: 1067).[6] Harold Brown, the Secretary of Defense, also emphasized the importance of the Korean peninsula and stated in his report to the Congress that:

> We believe that we can most effectively contribute to peace in Asia by maintaining forces deployed forward in the Western Pacific. These forces enhance the political constraints on potential adversaries and provide an important element of security to friendly countries (DOD, *Annual Report*, 1978: 23).

The presence of U.S. forces on the Korean peninsula has been the single most important factor in preventing the outbreak of a new war in Asia. This deterrence resulted not only because of the capability of U.S. forces but also because of the psychological effect of the U.S. troop presence (U.S. House, 1978). Thus, deterrence was an important interest for both the U.S. and South Korea.

In addition, the U.S. considered its military bases located in the Korean peninsula of prime importance to its security interests. According to the Report of the Investigations Subcommittee of the Committee on Armed Services:

> Army commanders in Korea believe that Korea represents the best possible training ground in the world for U.S. ground combat troops. It provides extensive maneuvering areas, extensive free-firing ranges, as well as a real live adversary north of the DMZ. Moreover, it is one of the few U.S. military bases worldwide where no one is trying to chase us out and no one is trying to raise the rent (U.S. House, 1978: 4).

For South Korea especially, the U.S. government's abandonment of Carter's withdrawal plan was an important security goal related to the bargaining on defense burden-sharing the between two countries. The continuous presence of U.S. ground

[6] This was issued in 1983 as part of the series *American Foreign Policy: Current Documents.*

forces was critical for maintaining deterrence, an important security interest. During this period, Carter's surrender of his withdrawal plan was the most influential factor in bargaining on the defense burden.

Political Interests During this period, the U.S. had significant political interests in South Korea. Harold Brown stated in his 1978 report to the Congress that it was an important U.S. political interest not to let the rest of the world fall under the control of communist hegemony. Maintaining democracy and improving human rights were also important political interests. Brown stated in his report that:

> The dedication of the United States to the principles of human rights, peace, and stability impels us toward goals abroad as well as at home. The rest of our coalition would be too weak and fragmented without us; our political opponents would be too powerful. If the conditions of U.S. security are to be maintained, the United States must still take the lead and carry the heaviest load in the coalition (DOD, *Annual Report,* 1978: 18).

During the Carter Administration, human rights were emphasized as an important interest. Human rights were one of the major issues during the 1976 Presidential campaign. "[h]e promised....the commitment to Korean security should be reconsidered in the light of President Park Chung Hee's repugnant oppression of his internal political critics" (Smith, 1986: 103). After Carter's inauguration, the human rights policy was specified in more detail. President Carter stated that "[w]e are concerned about the human rights issue in South Korea, and we're doing everything we can to impress upon the leaders in South Korea that this is a problem for us and creates a bad impression

among our own people" (*AFP: Current Documents, 1983*: 1069).[7] When *U.S. News & World Report* interviewed Brzezinski, he explained the priorities of the Carter Administration as "[t]he first is to infuse American foreign policy again with a certain measure of moral content. The human rights issue is very pertinent here" (Feb.13, 1978: 28). More importantly, when President Carter visited Seoul on June 30, 1979, he asked President Park to improve the status of human rights in South Korea. Therefore, improving South Korea's human rights record was one of the important U.S. political interests in the late 1970s.

Economic Interests Since 1969, South Korea's bilateral trade deficits had continuously decreased. In 1972, South Korea recorded its first trade surplus with the U.S. More importantly, as Table 4-11 shows, during the late 1970s South Korea enjoyed consecutive bilateral trade surpluses which reached over $1 billion in 1978.

Moreover, U.S. foreign assistance in the form of grants and credits also reached nearly $700 million, which was the largest amount of net assistance. The majority of U.S. assistance to South Korea during this period was distributed through the FMS program. Economic assistance sharply decreased, and then ended in 1979. Grants by the Military Assistance Program also sharply decreased in the 1970s and ended in 1976. The Military Assistance Service Fund which was available during the Vietnam War also ended in 1973. Instead, Foreign Military Sales significantly increased and continued as the major

[7] Remarks by the President (Carter) to a Group of Editors and News Directors, January 13, 1978.

category of U.S. foreign assistance from the late 1970s until 1987.[8] However, for the U.S., the economic interest was not a significant one because of the continuous bilateral trade deficit.

In sum, during the late 1970s, South Korea had significant economic interests in terms of both bilateral trade surplus and foreign assistance by the U.S. These interests can be considered as facilitating factors in bargaining on defense burden-sharing. Conversely, the U.S. could use its bilateral trade deficit and assistance as a leverage in bargaining.

Overall Evaluation

Contextual factors have been analyzed to determine why South Korea increased its defense burden to the level of 6% of its GNP. To more specifically understanding why South Korea made an agreement with the U.S. which required such a large level of defense burden (6% of its GNP), four sets of contextual factors must be considered using the logic of Win-Sets.

First, unlike the previous period, there was little possibility of Chinese or Soviet support for North Korea during the late 1970s. North Korea alone was the main source of threat. Thus, U.S. perception of threat from North Korea was lower than before and was at a moderate level. However, the quantitative superiority of North Korea's weapons over those of South Korea and the high degree of intention indicated by hostile behavior were

[8] Those figures about each category of U.S. assistance are from *Statistical Abstract of the United States* published by the U.S. Department of Commerce, Yoon (1989), and Weaver (1997).

still significantly threatening to South Korea. Thus, South Korea's perception of threat from North Korea was still high. Second, during the late 1970s, the U.S. government had large budget deficits, which reached 4% of the GNP. These growing U.S. budgetary constraints partly affected the Carter Administration's negative commitment to the U.S.-South Korean alliance. However, the budget deficit for South Korea was not a problem during the same period. Instead, relative economic capability, though it increased significantly, functioned as a moderate constraint in decision-making on defense policy. Third, U.S. congressional legislative activities related to the defense burden of its allies were not significant during the late 1970s. The congressional appropriation rate on defense spending was also very high. The U.S. Congress did not show significant opposition to the Carter Administration's defense policy. In addition, the public did not think the government was spending too much on defense. Public opinion functioned only as a constraint to the U.S.'s active involvement in world affairs. Lastly, although the U.S. attempted to withdraw its ground forces, it continued to consider the Korean peninsula vital to its security and essential to its national goal. Yet, due to a reduced threat of a North Korea acting alone, security interests were less important than during the 1960s. For South Korea, the U.S. alliance in general and the presence of U.S. forces in specific were still critical to deterring North Korea's attack. South Koreans were particularly interested in annulling the troop withdrawal plan for security reasons. The U.S. also had a significant political interest in improving the South Korea's record on human rights. On the contrary, South Korea had significant economic interests such as consecutive bilateral trade surpluses and U.S. grants and credits.

In sum, the U.S. had constraints including a continuous federal deficit and public opposition, and facilitating factors such as significant security and political interests, and the perception of a moderate threat. South Korea had constraints such as limited economic capability and facilitating factors such as a high level of perception of threat, crucial security interests and significant economic interests. Constraints for each country, which contracted respective Win-Sets, could be used as their leverage in bargaining with each other.

These contextual factors played a role in constructing Win-Sets on South Korea's defense burden. In figure 5-1, the continuous budget deficit, consecutive bilateral trade deficits, South Korea's poor record of human rights, and smaller perception of threat made the Win-Set for the U.S. shrink. However, Congress did not play a significant role in contracting its Win-Set. As a result, the U.S. range for possible acceptance of South Korea's defense burden contracted, moving of from b1 to b2.

Figure 5-1: The Changes of Win-Sets on the Defense Burden of South Korea, 1979

Considering such U.S. constraints and several facilitating factors for South Korea, South Korea could not help but comply. The biggest factor that led South Korea to agree to a defense burden of 6% of its GNP was the annulling of the U.S. troop withdrawal plan. Annulling the withdrawal plan was seen by South Korea as its critical security interest, needed to guard against the strong threat posed by North Korea. In addition, South Korea's improved economic condition and bilateral trade surplus partly played a role in enlarging South Korea's Win-Set on its defense burden. This was an example of explicit bargaining between the two countries. It was fully discussed in meetings between respective ministries of South Korea and the U.S. with the objective of reaching an agreement. And the final agreement was made in the summit meeting between the Presidents of the two countries.

Bargaining on Stationing Cost-Sharing in 1988 SCM

General Background

Since the late 1980s, bargaining on the defense burden between the two countries has focused on the issue of cost-sharing rather than on the ratio of military expenditures to GNP (i.e., 6% of GNP defense spending). The fundamental logic of or arguments behind bargaining did not change. What changed was the way that the defense burden was measured. The way of measurements changed from the traditional method (the ratio

of military expenditures to GNP) to giving way specific sharing of U.S. troops stationing costs.

The U.S. raised the cost-sharing issue instead of the issue of military expenditure as percentage of the GNP during the late 1980s for the following reasons. Given the rationale for traditional measurement (the ratio of military expenditures to GNP), the U.S. lost its leverage for bargaining on the defense burden and so could not pressure South Korea to increase its defense burden. This loss of leverage, as Table 5-4 shows, resulted because South Korea's defense burdens during the 1980s were more than those of America's NATO allies in Europe and Japan.

The ROK-U.S. Annual Security Consultative Meeting (SCM)[9] has been the major forum to "discuss, adjust, and resolve major security issues" including stationing cost-sharing in the late 1980s and 1990s (ROK, *Defense White Paper, 1994-1995*: 119).[10] In 1988, at the 20th SCM in Seoul, the U.S. participants first raised the cost-sharing issue and requested that South Korea help meet the costs for stationing U.S. troops on the

[9] In February 1968, when Secretary of State C.R. Vance visited South Korea, the two countries first agreed to hold the SCM annually. Since its first meeting in 1968, this conference has been held annually in Seoul and Washington, alternately. The SCM consists of a Plenary Session (cabinet-level meeting) and five working–level committees that support it. The five working-level committees include the Policy Review Subcommittee (PRS), the Security Cooperation Committee (SCC), the Logistics Cooperation Committee (LCC), the Defense Technology and Industrial Cooperation Committee (DTICC), and the Joint Communiqué Committee (JCC). The Military Committee Meeting (MCM), co-chaired by the Chairmen of the Joint Chiefs of Staff of the two countries, is held annually in conjunction with the SCM. The results of the MCM are reported to the SCM for approval and follow-up instructions (ROK, *Defense White Paper 1994-1995*).

[10] The *Defense White Paper* published by the Ministry of National Defense, ROK, has both an English and a Korean version. All citations of this source in this study are from the English version.

Table 5-4
Comparisons of Defense Burdens:
South Korea, Japan and NATO Allies, 1981-1988

Years	1981	1982	1983	1984	1985	1986	1987	1988
SK	6.2	6.1	5.5	5.1	5.1	4.8	4.4	4.2
Japan	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0
NATO.E	3.5	3.5	3.6	3.5	3.5	3.4	3.3	3.1

Source: U.S. Arms Control and Disarmament, *World Military Expenditures and Arms Transfers (WMEAT), 1981-1991*: 48, 53 and 68. NATO.E represents the average defense burden of NATO allies in Europe provided by *WMEAT*.

Korean peninsula. The respective defense ministers of South Korea and the U.S., Oh and Carlucci, reached a new cost-sharing agreement which led to a new era of bargaining on the defense burden. As a result, since 1989 South Korea has helped support the stationing costs of U.S. forces in South Korea. In particular, $45 million and $70 million were allocated in 1989 and 1990, respectively. Table 5-5 shows the increasing share shouldered by South Korea since 1989, which is additional cost-sharing along with contributions arranged by the Status of Forces Agreement (SOFA) of 1966.

In fact, since South Korea signed SOFA, the South Korean government has provided the United States Forces in Korea (USFK) with various benefits including the free provision of land and facilities, reduction or exemption of taxes, and public fares. And since 1974, South Korea has provided land and facilities for the Combined Defense Improvement Project (CDIP). Since 1976, South Korea has also shared costs for

Table 5-5
ROK Sharing of U.S. Forces Stationing Costs,
Agreed to at the SCM: 1989-1994
(in millions of dollars)

Year	1989	1990	1991	1992	1993	1994
Dollars	45	70	150	180	220	260
Growth Rate (%)	0	56	114	20	22	18

Source: ROK, *Defense White Paper, 1994-1995* (in English): 124.

operation and maintenance of the Joint United States Military Assistance Group, Korea (JUSMAG-K). And since 1983, South Korea has contributed to the management expenses of the ROK-US Combined Forces Command (CFC) (ROK, *Defense White Paper, 1994-1995*).[11] The cost-sharing agreed to at the SCM in 1988 were in addition to these previous South Korean contributions. Again, Win-Sets using five contextual factors will be used to better understanding why South Korea had to agree to this additional cost-sharing.

Analysis of Contextual Factors

Threat

Source In the 1980s, the U.S. administration perceived the Soviet Union as the

[11] For example, based on the 1988 statistics, it cost the U.S. about 3 billion dollars a year to maintain its 41,000 servicemen in South Korea. The South Korean share is valued at about 1.906 billion dollars including 1.618 billion dollars of land provision occupied by U.S. bases and 288 million dollars for defense projects and KATUSA (McBeth, 1988).

primary threat, especially after the Soviet invasion of Afghanistan. Secretary of Defense Caspar Weinberger stated in his report to the Congress that:

> The Soviet Union remains the major threat to the United States and its interests. They persist in an unrelenting arms build-up that has continued for more than 20 years. The magnitude of that effort is so great that it consumes 15 to 17 percent of their gross national product (GNP). Even more worrisome is the magnitude of their effort relative to ours (DOD, *Annual Report,* 1986: 55).

More specifically, the United States was concerned about the invasion and war in Afghanistan by the Soviet Union. Moreover, the United States considered the continuous flow of the Soviet Union's weapons to Marxist regimes like that in Nicaragua as a part of the Soviet threat (DOD, *Annual Report,* 1986).

However, since Gorbachev's July 1986 Vladivostok speech, U.S. relations with the Soviet Union had improved. Soviet troop withdrawal from Afghanistan, reduction of Soviet border forces and, the Cambodian issue were the key events that resulted in a new relationship between the two adversaries.[12] The resolution on arms limitation (e.g. INF Treaty)[13] was also an important sign of progress in the relationship between the U.S. and the Soviet Union (Scalapino, 1993).

Although the relationship between the United States and the Soviet Union improved, the latter was still the major threat to the former. The aforementioned changes within the Soviet Union were not enough to make the Soviet Union a threat-free country.

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[12] In fact, it was also a significant improvement between the Soviet Union and China.

[13] The United States and Soviet Union signed Agreement on Intermediate-range Nuclear Forces (INF) in 1987 to eliminate all missiles with range between 500 and 5,500 kilometers.

In the Secretary of Defense's reports in 1987 and 1988, the United States still perceived the Soviet Union as the primary adversary.

During the 1980s, China and the Soviet Union were not only not reliable supporters of North Korea, but even developed economic ties with South Korea. Although the ideological ties between North Korea and the Soviet Union or China had not fundamentally changed, the Soviet Union and China were more interested in the economic incentives from South Korea. Since 1979, South Korean trade with China had sharply increased. Especially during the late 1980s, total trade with China exceeded a billion dollars ($1.3 billion in 1985, $1.4 billion in 1986, and $1.5 billion in 1987) (Chung, 1989: 70). Trade with Soviet Union also increased from $85 million in 1985 to 3$ billion by 1995.

Neither the Soviet Union nor China wanted any significant changes that would lead to instability in the Korean peninsula. China did not even oppose the stationing of U.S. forces in the Korean peninsula if it were helpful to the stability between the two Koreas. The Soviet Union also had little to gain from instability in the Korean peninsula (Roehrig, 1995; Cha, 1988).

In short, during this period, the threat that the Soviet and China would support North Korea in the event of war was not significant. North Korea alone was perceived as the primary source of threat in the Korean peninsula for both the U.S. and South Korea.

Capabilities In this period, North Korea pursued efforts to modernize and expand its conventional forces as well as to increase the size of its armed forces. In

contrast to the 1970s, North Korea's total number of armed forces exceeded that of South Korea in the 1980s. In addition, North Korea adopted Soviet strategic concepts such as the Operational Maneuver Groups (OMG) and resumed a relationship with the Soviet Union. In fact, in the 1970s and early 1980s, Soviet political and military support to North Korea had been prudent and restrained. Yet, after the visit by North Korean leader Kim Il Sung to the Soviet Union in May 1984, the Soviet Union resumed a more realistic military relationship with North Korea, despite an improving economic relationship with South Korea.

In terms of military capital stock, South Korea enjoyed superiority over North Korea during this period. As Table 5-6 shows, the gap between the two Koreas had grown continuously wider in the 1980s. Although North Korea's effort to build up its military with modern weapons continued, the dramatic economic development of South

Table 5-6
Relative Military Expenditures: 1985-1990
(in millions of dollars, Constant 1991)
(North Korea/South Korea)

Year	1985	1986	1987	1988	1989	1990
NK	6563	6609	6641	6622	6510	6178
SK	7851	8442	8627	9272	10220	11240
NK/SK	0.84	0.78	0.77	0.71	0.64	0.57

Source: U.S. Arms Control and Disarmament, *World Military Expenditures and Arms Transfers, 1981-1991*: 69.

Korea yielded superiority in military capital for South Korea. Even South Korea's military expenditures ($8627 million in 1991 constant prices) in 1987, which represented 4.4% of its GNP, were larger than North Korea's military expenditures ($6,641 million in 1991 constant price), though they represented 20% of its GNP in the same year.

Though North Korea's capital stock was far behind that of South Korea, its total armed forces and weapon systems still enjoyed superiority. As Table 5-7 shows, North Korea maintained an armed forces of approximately 838,000 men (3.9% of its population) as compared to South Korea's 629,000 (1.5% of its population). Regarding weapon systems, since 1984 North Korea had reinforced its capability with modern weapons such as MIG-23 interceptors, SA-7 surface-to-air missiles, SCUD surface-to-surface missiles, and MI-2 military helicopters from the Soviet Union (Zagoria, 1988). These modern weapons did not exist in the 1970s.

In the late 1980s, South Korea also reinforced its defense capability by deploying the 88-tank (formerly called the K-1 tank), which had been domestically produced since late 1987, to replace the M-48 series tank. In the late 1980s, South Korea also began to produce self-propelled (155mm M-109) and towed field guns (155mm KH-178 and 155mm KH-197), as well as two types of helicopters (UH-1 and H-76). In 1986, South Korea began construction of the Swallow/Chebi class minesweeper, which had a new type of sonar and mine countermeasure equipment that was expected to improve the

Table 5-7
Comparison of Military Capabilities
Of South and North Koreas, 1987

Category		South Korea		North Korea
Armed Forces				
Total		629,000		838,000
Army		542,000		750,000
Navy(*)		54,000		35,000
Air Force		33,000		53,000
Army				
Tank		1,300 (350 M-47s, 950 M-48A5s)		2,900 (some 2,700 T-34s/54s/55s/62s 175 Type-59s)
Armored Fighting Vehicle				
MICV		some 200		150 (BMP-1)
APC		850 (450 M-113s, 400 Fiat 6614s/KM-900s/-901s)		1,400
Artillery				
105-203mm		3,300	76-152mm:	6,000
MRL		140		1,800
Missiles				
SSM:	*Honest John*	12	SSM: *Scud B*	15
SAM:	*HAWK*	110	*Frog-5/7*	54
	Nike Hercules	100	SAM: SA-2**	800
			SA-7	some
Navy				
Submarines		1		27
Destroyers		9		-
Frigates		6		2
Amphibious Craft		46		135
Air Force				
Fighting Aircraft				
	F-5 A/B/E/F	260	Su-7	30
	F-16 C/D	20	MiG-15/17	280
			MiG-19/Q-5	100
Interceptors				
	F-4 D/E	65	MiG-19/21/23	250
Counter-Insurgency				
	A-37B	23		
Reconnaissance				
	RF-5A	10		

Source: International Institute for Strategic Studies, *The Military Balance, 1987-1988*, (London, 1987), pp.162-165

Notes: * This number includes Marine Corps. ** This category belongs to the air force.

navy's capability to locate and eliminate minefields. Submarine production was also initiated in the late 1980s.[14]

As mentioned in the previous chapter, qualitative comparisons of weapons and their operators are not easy. Thus, in this part, only rough quantitative comparisons will be possible. A rough comparison of the major equipment of the armed forces between the two Koreas show that North Korea had a superiority over South Korea of 2.2: 1 for tanks, 1.6: 1 for APCs, and 2.3:1 for artillery. Compared to inventories in 1978, North Korea had made significant improvements in its tanks, APCs and artillery pieces. The number of tanks increased from 2,000 to 2,900 (45% increase), APCs from 800 to 1,400 (75% increase) and artillery from 3,000 to 6,000 (100% increase). In air power, North Korea also enjoyed a 1.7:1 numerical superiority over South Korea in terms of total number of combat aircraft. Due to the different organizational structures and strategy, a comparison of the naval forces of the two Koreas is not easy. North Korea's navy was offensively oriented and mostly equipped with submarines and amphibious craft, whereas the South Korean navy was organized for coastal defense and equipped with large surface ships (Kwak, 1990). North Korea also had almost double the number of total naval vessels as did South Korea. North Korea increased its number of submarine to 27, overwhelming South Korea's submarine capability and raising concern in both South Korean and U.S. leaders.

[14] These figures are from the *Army Area Handbooks* (1993) (Chapter 5.05: Defense Spending and Military Production) published by the U.S. Department of the Army. <gopher://gopher.umsl.edu:70/00/library/govdocs/armyahbs/aahbl/aahb0126>. These data are not updated by *The Military Balance, 1987-1988,* that provides data for Table 5-7.

Despite South Korea's superiority over North Korea in terms of the size of its military expenditures and efforts to produce such modernized weapons, the South Korean government believed that North Korea had a military capability to wage a blitzkrieg war without Soviet support. At the 20th Annual ROK-U.S. Security Consultative Meeting in 1988, Oh and Carlucci agreed that North Korea's strengthened surprise attack capability was a serious threat to South Korea (*AFP: Current Documents, 1988*). During the 1960s and early 1970s, both the U.S and South Korea believed that North Korea could not attack without Soviet or Chinese support. However, since the new assessment by U.S. intelligence units in 1979, the South Korean intelligence unit had estimated that North Korean military capabilities were more than sufficient to wage a blitzkrieg war without Soviet support (Kang, 1989).

The South Korean and U.S. assessment of North Korean military capabilities during the late 1980s was that North Korea had an overall superiority over South Korea.[15] Deputy Assistant Secretary of Defense James Kelly stated in 1985 that:

> Despite devoting almost six percent of its GNP to defense, the ROK has been unable to match the massive North Korean military buildup which began in 1970 and continues to this day. The North Korean military now poses a greater threat to the ROK than at any other time since the Korean War. The offensively configured North Korean Army is about 40 percent larger than ROK ground forces,...In the air, North Korea holds a nearly 2 to 1 advantage in jet combat aircraft and has an effective defensive and credible offensive capability. ...The North Korean Navy is larger and more

[15] There were some others who believed that there was an adequate military balance between two Koreas without the presence of the U.S. forces in Korea. For example, U.S. Congressman Stephen Solarz who favored a reduction of US forces in South Korea argued that there was acceptable qualitative balance between two Koreas' military power (U.S. House, 1985). Kwak (1990) also argues, after conducting dynamic analysis of military strength that there was a rough balance of military capabilities between the two Koreas by 1988 without the presence of the U.S. forces in Korea.

modern, with a 3 to 1 advantage in surface ships and a significant submarine force, unmatched by the South (U.S. House, 1985: 430-431).

An even more disturbing threat during this period was the possibility of a North Korean attack using chemical weapons which are forbidden by international law. Chemical weapons are another aspect of threat from North Korea in the 1980s. According to U.S. intelligence data, North Korea has produced large numbers of chemical weapons since the early 1980s, deploying 180 to 250 tons of them in the forward field in the late 1980s, and of missiles which can deliver those chemical warheads (*The Korea Herald*, Sept. 28, 1989). Chemical weapons include four kinds of nerve agents and three kinds of blood agents. According to this source of information, North Korea has 250 to 300 launching missiles, both short-range (Luna-Ms with a range of about 70km) and long-range (R-17-Es with a range of about 280km). About nine thousand personnel, which is about 1 percent of the total armed forces, serve for a chemical warfare. To enhance its operation capability, North Korea operates special chemical warfare platoons at the regiment level. It also possesses various means of delivering chemical weapons. These delivery system includes mortars, field artillery, multiple-launch rocket systems, Frog-5 and Frog-7 rockets and Scud missiles (ROK, *Defense White Paper, 1994-1995*).

At the Security Consultative Meeting in 1988, respective delegations from the U.S. and South Korea discussed North Korea's chemical weapons capability and the missiles that could be used to deliver chemical warheads at long range (*AFP: Current Document, 1988*). In short, despite South Korea's superiority of military capital stock, North Korea's capability was superior to that of South Korea.

Intention During the 1980s, North Korea continued attempting to infiltrate and espionage along the DMZ and the South Korean coast. Two hostile acts by North Korea were considerably important in the perception of threat for the U.S. and South Korea, being considered as national crises. The first was a bombing carried out by North Korean special agents against South Korean President Chun Doo-Hwan in October 1983. They attempted to assassinate President Chun in Rangoon, Burma. As a result, 17 high-ranking South Korean officials, including 4 cabinet ministers, were killed. President Chun made a special televised address warning that South Korea would strongly retaliate if North Korea was responsible for another provocation. He said the bombing in Rangoon was a serious provocation "tantamount to a declaration of war" and that "this bellicose provocation deserves our punishment and retaliation through the exercise or our right to self-defense" (*The Korea Herald*, Oct. 23, 1983).

The other provocation was the shooting down of a South Korean civilian airline by North Korean terrorists in November 1987, which killed 115 passengers and crew members. Although it is difficult to understand North Korea's motivation for these provocations, one possible interpretation is that North Korea wanted to take advantage of the political turmoil in South Korea which might have resulted from these hostile provocations.

In sum, considering its capabilities in terms of weapon systems and its intention to invade reflected by its provocations, North Korea was still perceived as a serious threat by South Korea, although South Korea enjoyed superiority in terms of military capital

stock. However, for the U.S., North Korea posed only a moderate level of threat because of the mood of détente in the late 1980s and the lessened possibility for support by the Soviet Union.

Economic Conditions

Unlike the Carter Administration, the Reagan Administration emphasized security assistance and arms sales as essential and indispensable for deterrence and defense. The human rights records of its allies, a major issue during the Carter Administration, were not considered. However, the economic situation in the U.S. conflicted with the Reagan Administration's defense policies. The historically high budget deficit posed a considerable constraint on his attempt to undertake the largest defense buildup ever (Hildreth, 1985).

As Table 4-6 shows, the federal deficit, measured as a percentage of the GNP, climbed to an unprecedented level in 1983, an increase that continued until the late 1980s. The budget deficit has continuously increased since 1980, reaching 6% of the GNP in 1983. During most of the 1980s, it stayed over 3% of the GNP. Epstein argues that the high level of federal deficit was "the single most powerful downward pressure on the defense budget" (1987: 2). *The Balanced Budget and Emergency Deficit Control Act of 1985* (P.L.99-177, *Thomas*), known as the *Gramm-Rudman-Hollings Act*, was passed in the Senate in late 1985 and led to decreased defense spending during the late 1980s. The Act was designed to gradually reduce the budget deficit and balance the budget by

1991. Part C of this Act sets forth procedures for determining such reductions for a fiscal year including defense spending (*Thomas*, P.L. 99-177).

Economic conditions in South Korea in the late 1980s significantly improved. From 1962 to 1986, South Korea completed its five Five-Year Economic Development Plans and achieved dramatic economic growth, except for a short period in the early 1980s.[16] Especially in 1986 and 1987, its economic growth rate topped 12%. As seen in Table 4-6, South Korea's GNP share continuously increased and reached nearly 3.5% in 1988. South Korea's relative per capita GNP increased significantly and reached about 15% of the U.S. per capita GNP. The relative size of South Korea's per capita GNP has also continuously increased since the 1960s, reaching 15.7% and 17.8% in 1987 and 1988, respectively. The Prosperity Index of South Korea also continuously increased. Although its magnitude was still very small compared to that of the US, it increased dramatically, from 0.03% in 1963 to 0.63% in 1988. In short, in the late 1980s, the relative economic capability of South Korea significantly improved. This improved economic capability was one of the major impetuses for the U.S Congress' demand for an increase in South Korea's defense burden. The U.S. House of Representatives Committee on Foreign Affairs argued that:

> In order to establish an indigenous balance of power on the Korean peninsula, it is the subcommittee's belief that the ROK should gradually increase its own defense expenditures, now amounting to 6 percent of GNP..... in view of the strong economic performance of the South Korean economy in recent years, and in view of the fact that the less affluent North devotes an estimated 25 percent of its GNP to defense spending, the subcommittee believes that it is both possible and desirable for the ROK to

[16] South Korea recorded negative growth (-4.8%) only in 1980 due to the socio-political turmoil following the assassination of President Park in late 1979.

> achieve a higher level of defense spending without destabilizing its own society (U.S. House, 1985: Part 5, p. xv-xvi).

In short, South Korea was believed capable of spending more than it had in previous periods and was forced by the U.S. to contribute more to the alliance.

South Korea's budget deficit did not limit its decision-making process on the defense burden. During the late 1980s, as Table 4-6 shows, South Korea's budget deficits stayed below 1.4% of its GNP and so were much less problematic than those of the United States during the same period. In 1987, the budget deficit even turned into a surplus.

In sum, for the U.S., the budget deficit functioned as a significant constraint in decision-making on the defense burden, while the budget deficit of South Korea during the same period was not problematic for its defense policy. Instead, its highly improved relative economic capability in terms of GNP share, per capita its GNP, and the Prosperity Index allowed and forced South Korea to increase its defense burden.

<u>Political and Public Support (U.S.)</u>

Congressional Debate In contrast to the 1960s and 1970s, legislative activities on the defense burden were intense during the late 1980s, especially in 1987, as Table 4-7 shows.[17] Moreover, the subject of these debates shift from the European allies to more

[17] The Reagan Administration transmitted the first *Allied Commitments Report to the Congress for the FY 1981* and since that time all information about its allies' status on burden-sharing has been transmitted to the Congress every year. Later, the title changed to the *Report on Allied Contributions to the Common Defense*.

diverse allies including South Korea[18] and Japan, and from the issue of the withdrawal or reduction of U.S. forces to diverse issues such as a greater level of financial contribution to a common defense and an increase in allies' defense expenditures. Several factors account for these changes. The aftermath of the Soviet invasion of Afghanistan, serious political differences between the U.S. and its allies, and the general performance of the economy, as well as the budget deficit led to a serious debate on defense burden-sharing in the Congress (Duke, 1993).

For example, the Nunn-Roth Amendment, the Cohen Amendment, the Neal Amendment, and the Ritter Resolution required allies to increase their defense expenditures to a certain percent of the GNP. The Schroeder Amendment, the Conrad Amendment, and Konnyu's and Snowe's Concurrent Resolutions emphasized allies' fair share contribution to the common defense. The Mrazek Amendment even targeted the reduction of U.S. forces in South Korea, but it was rejected. Although this amendment did not directly mention burden-sharing, increasing the defense burden of South Korea

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[18] In 1989, Congress focused its burden-sharing debate more directly on South Korea. For example, in the 101st Congress, Nunn expressed the sentiment of the Congress that South Korea should increase its responsibility for its own security and offset more of the direct costs incurred by the United States in deploying military forces for the defense of South Korea (S.1439). Yet, any formal action on this issue was indefinitely postponed by the Senate by unanimous consent. Bumpers also introduced a bill to provide a phased reduction of approximately 10,000 United States Army personnel stationed in the Korean Peninsula (S.1264). It was referred to the Committee of Senate Armed Services. Mrazek also proposed an amendment to place a permanent ceiling of 30,000 on U.S. troops in Korea which would require the withdrawal of an additional 6,000 Army troops over three years (HAMDT.714). In addition, in 1988 the Congress passed a bill sponsored by Chappell that included the request that the President "appoint a special representative to conduct defense burden-sharing negotiations directly with other member-nations of NATO, Japan, Korea, and other countries allied with the United States by treaty" (*Thomas,* PL.100-463,).

was part of its purpose. As a result, during the late 1980s the burden-sharing debate in the Congress became more intense than at any other period. Thus, during this period, the Congress functioned as a serious constraint on defense burden-sharing bargaining with South Korea.

Congress also posed a serious constraint in terms of its level of appropriations for the defense budget. In contrast to the late 1970s, as Table 4-8 shows, Congress strongly limited the administration's decision-making on defense spending during most of the 1980s, especially in 1986 when Congress pared $13 billion from the FY 1988 defense spending to 8.4% of the original request. This was the biggest cut by Congress since World War II. This high cut rate is a reaction to a détente mood in the late 1980s and to the Reagan Administration's request for large increases due to its ardent anti-communism and emphasis on national security. Gorbachev's July 1986 Vladivostok speech, the Soviet troop withdrawal from Afghanistan, and the resolution on arms limitation were important sources for the détente mood in this period.

In sum, during the 1980s, especially during the late 1980s, the Congress functioned as a strong constraint on the administrations' foreign policy decision-making in terms of both legislative activities on defense burden-sharing and appropriations on defense spending.

Public Support During the 1980s, public opinion on internationalism remained stable. During the 1980s, as Table 4-9 shows, internationalist sentiment stayed over 65%, except for a drop to 61% in 1982. The percentage of those opposed to

internationalism had ranged from 27% to 34%, indicating less seriousness than during the 1970s. Although the extent of public support for the U.S. government's engagement in world affairs was lower than during the mid-1960s, it was slightly higher than during the 1970s. Nincic (1997) considers it as a reversion to internationalism.

As Table 4-10 shows, public opinion on defense spending was a constraining factor. Public opinion during the 1980s was strongly opposed to the U.S. government's policy on defense spending, whereas public opinion on internationalism did not constrain the government. In 1986, the smallest percentage (15%) of Americans ever believed that the U.S. was spending too little. On the other hand, more than one third of Americans believed U.S. defense spending was too much in 1986 and 1987. This trend in public opinion on defense spending is consistent with the high cut rate (7.5% in 1986 and 8.4% in 1987, which is the highest rate during the three decades) of defense spending by the Congress. This trend in public opinion is also a reaction to the détente mood in the late 1980s, following Gorbachev's July 1986 Vladivostok speech, the Soviet troop withdrawal from Afghanistan, and the resolution on arms limitation (e.g. INF Treaty).

In sum, from 1985 to 1987, there was strong opposition to the government's policy on defense spending and moderate opposition to its policy on internationalism compared to other periods. Thus, during this period, public opinion was considered as a strong constraint on U.S. foreign policy decision-making process, especially on defense spending.

Interests

Security interests The Reagan Administration reemphasized the need for security assistance and collective defense as an essential and indispensable tool for deterrence and defense. In response to the growing Soviet nuclear capabilities and conventional forces, the Reagan Administration restored strategic emphasis on Japan and the Korean peninsula. In order to achieve U.S. security objectives in the region, the deterrence of a North Korean attack was critical. In addition, the control of sea-lanes of communication (SLOCs) was an important interest for the U.S as it served a role in deterring Soviet expansion in the Pacific region (Taylor, 1989).

In 1988, in the joint communique of the 20th SCM, the U.S. and South Korea reaffirmed that "the security of the Republic of Korea remains pivotal to the peace and stability of Northeast Asia, which in turn is vital to the security of the United States" (*AFP: Current Documents, 1988*: 559). President Reagan also stated in his report to the Congress, entitled the *National Security Strategy of the United States,* that "[o]ur alliance with the Republic of Korea remains vital to regional stability" (1988: 87) and promised coherent U.S. commitments to the alliance. He also stated that:

> Successive administrations have maintained our military presence in Japan and Korea, because our mutual security interests are served by keeping a credible deterrent against aggression in north-east Asia. It is important to keep security interests in mind and separate from detailed trade concerns (Reagan, 1987: 1446).[19]

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[19] This statement is in written response to questions submitted by the *Asia-Pacific News Organization* on December 4, 1987.

Under the Reagan's containment policy, U.S. military aid for its allies significantly increased despite congressional opposition. In addition, during the early 1980s, the U.S. reinforced U.S. forces on the Korean peninsula and deployed new artillery pieces, antitank weapons, A-10, and F-16 aircraft (*AFP: Current Documents, 1977-1980*). In the late 1980s, the U.S. also added Lance surface-to-surface missiles and shipped F-16C/Ds to the South Korea air force (Tow, 1991 and 1993). These U.S. activities indicate its strong security interest in the Korean peninsula.

For South Korea, coherent U.S. commitment in the Korean peninsula was a critical security interest in terms of deterring a North Korean attack. More specifically, the presence of U.S. forces in the Korean peninsula played a role in deterring a North Korean attack. In other words, South Korea had an augmentive interest. In 1986, South Korean Minister of National Defense stated:

> To compare the two sides with respect to major categories of military strength obtaining as of the end of 1985, North Korea's troop strength, at more than 800,000 strong, was 1.2 times that of the South. They had over 3,500 tanks, 2.7 times what we had. Their field artillery pieces numbered 7,400, twice ours. The North Korean air forces comprised more than 1,500 planes, 1.4 times the size of ours. The stark military fact is that North Korea has an overall numerical superiority over us (Ha, 1989: 90).[20]

The military balance between the two Koreas could be achieved with the presence of U.S. forces. Because of the South's inferior military capabilities to North Korea, deterrence in the Korean peninsula could be achieved by South Korea's own military and by U.S. forces in Korea. Thus, South Korea had a critical security interest.

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[20] This was stated by Minister of National Defense Ki-Baek Lee at a news conference on March 20, 1986, and it is referred to by Ha (1989: 90).

Political interests The Reagan Administration's containment policy had the political goal of promoting democracy in the Third World and of rolling back communism by aiding anti-communist countries. President Reagan stated that:

> The nations of East Asia are becoming increasingly prosperous and politically stable. This is in our interest as well as theirs, and our aim is to work with the region's nations as partners in promoting prosperity and stability.... U.S. diplomatic efforts and military presence contribute directly to the region's peace and stability, which in turn foster economic prosperity (Reagan, 1987: 1445).

South Korea was one of countries in which the U.S. was most significantly involved. More specifically, President Reagan stated that "the United States has used its influence to encourage Koreans toward democratic change" (1988: 88). He also stated that "[w]e look to those on the peninsula....to take the lead in ensuring peace, stability, and democratic progress there by increasing contacts, developing understanding, and building confidence" (Reagan, 1987: 432).[21] South Korea represents an example of democratic success influenced by the U.S. With U.S. help after war, South Korea demonstrated the virtues of free-market capitalism to the developing world (Taylor, 1989). The U.S. contribution to that success was one of the U.S. political interests.

Korea's support for U.S. involvement in the region was also in accord with the political interests of the U.S. According to Roehrig (1995), "South Korea provides political support for U.S. positions in a variety of forums as a strong economic power, supportive of the current international trading regime, a developing democracy" (209).

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[21] This statement is in written response to questions submitted by the Japanese Newspaper *Asahi Shimbun* on April 28, 1987.

Thus, there is no doubt that the U.S. had a significant political interest in South Korea during the late 1980s.

Economic interests Since 1984, South Korea has been the seventh largest U.S. trading partner in overall trade and the second largest trading partner for U.S. agricultural and wood products.[22] The United States in turn has been the largest trading partner for South Korea, accounting for about 38 percent of its exports.[23] Although both sides are benefitting from such bilateral economic trading, South Korea enjoyed a large trade surplus over the United States in the late 1980s. As Table 4-11 shows, during most of the 1980s, except 1980 and 1981, South Korea enjoyed continuous bilateral trade surpluses which reached $9,553 million in 1987, or 7.4% of its GNP. This dramatic increase in South Korea's bilateral trade surpluses represented a significant economic interest for South Korea. The fact of this large trade surplus affected bargaining on defense burden-sharing. For example, the high level of South Korea's trade surpluses caused many Americans to complain about the U.S. role in the alliance and to question the need for continued U.S. subsidization of the South Korean defense (Merritt, 1989). For the U.S., the economic interest was not a significant factor during this period. Instead, the U.S. suffered a large bilateral trade deficit.

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[22] South Korea replaced Great Britain as the sixth largest trading partner of the U.S. in 1987.

[23] These figures were obtained from *Developments in United States-Republic of Korea Relations: Hearing before the Subcommittee on Asian and Pacific Affairs of the Committee on Foreign Affairs*. 101st Congress. July 26 (U.S. House, 1989).

On the other hand, in terms of U.S. foreign assistance, South Korea had negative figures, indicating that the total of grant returns, principal repayments, and/or foreign currencies disbursed by South Korea exceeded new grants and new credits utilized by the U.S. government. Most of the grants ended by the late 1970s and only a small portion of the International Military Education and Training Program remained by 1987 (Cha, 1988). In other words, during the late 1980s, South Korea had a burden of repayment and disbursement due to the previous arms purchases under the FMS program. Nevertheless, taking into considerable the trade surplus, South Korea had significant economic interests.

In sum, a significant bilateral trade surplus for South Korea became more important as one of the facilitating factors that affected bargaining on defense burden-sharing between the two countries, even in spite of South Korea's burden of repayments and disbursements.

Bureaucratic Politics (South Korea)

As discussed in Chapter 3, the process of bureaucratic politics is generally considered as one of the determinants of a foreign policy decisional outcome.[24] Yet, in the case of South Korea, bureaucratic politics can be significantly observed only from the 1980s, at least in terms of decision-making on defense spending. During President Park's era, national security, along with economic development, was the most urgent goal. Most defense policy including decision-making on defense spending was in the hands of a

[24] The specific logic and sources for this argument are discussed in Chapter 3.

small group of high-ranking officials, including the President along with his supporters (Hyun, 1990). Thus, during the Park period, bureaucratic politics were not permitted to play a partial role in the decision-making on defense spending.

In contrast, Chun's government promoted economic stability and improved public welfare through a rational distribution of national resources. In order to achieve those goals, President Chun asked the Cabinet Ministers to pursue reforms focusing on macroeconomic stabilization and structural adjustment. Consequently, an austere budgetary policy was inevitable (Hyun, 1990). The Economic Planning Board explained that the austere budgetary policy was "designed to cement price stabilization, curb an increase in foreign debt and minimize deficits in the consolidated accounts" (*The Korea Herald*, Sept. 24, 1983). As seen in Table 4-6, this policy resulted in a continuous decrease in the budget deficit in the 1980s and even in a surplus in 1987.

Another important characteristic in the 1980s was that the President did not tightly control the decision-making process on budget allocations. Instead, he gave more authority and autonomy to each minister. Accordingly, each minister and the Economic Planning Board could enjoy more autonomy and were able to argue more dynamically for their respective departmental interests.

Due to these two developments in the 1980s, there were more dynamic games of pulling and hauling between and among ministers in the decision-making process. Along with a limited available budget, increased autonomy for each department allowed for more dynamic political games among ministries. More specifically, the level of defense spending was influenced by more relevant personnel who engaged more dynamically in

the pulling and hauling games. For instance, during this period the Economic Planning Board had control over budgetary allocations under the belt-tightening policy. Bureaucratic politics was one of the elements that characterized the decision-making process on budget allocations during the 1980s. Hyun (1990) argues that "[t]hey began to forcefully voice their departmental interests, and bureaucratic politics came to the center of the decision making process on defense and other issues" (202).

The Ministry of National Defense was no exception. Deputy Prime Minister Suh Suk-Joon, who was also the Minister of Economic Planning Board, emphasized in a meeting that "[n]obody should expect the government to ease the belt-tightening position" (*The Korea Herald*, Sept. 20, 1983). As a result, many actors such as related officials, members of the National Assembly, political parties, and interest groups as well as the Ministry of National Defense (MND) were involved in decision-making on defense spending, and thus MND had to lobby to maintain its own share at a certain level (Hyun, 1990; Lee, 1992). Thus, since the early 1980s, bureaucratic politics has been one of the factors in foreign policy decision-making in general and defense spending in particular.

The government of President Roh which succeeded that of Chun followed the same track and enjoyed even more democracy. President Roh attempted to eliminate ideology from national security policy. Many ministries thus removed the few remaining restrictions (Oliver, 1993). President Roh also guaranteed a free press and the autonomy and freedom of political organizations (Haggard and Moon, 1990). More specifically, President Roh neither controlled the decision-making process on defense spending nor

put that process in the hands of a small group of high-ranking officials.[25] Thus, through the 1980s, including President Roh's period since 1988, bureaucratic politics continued to play a significant role in decision-making on defense spending. It functioned as one of constraints for contracting the Win-Set for South Korea.

Overall Evaluation

Up to this point, the impact of five sets of contextual factors on the agreement by South Korea to shoulder additional cost-sharing have been discussed. Integration of these factors based on the logic of Win-Sets explains why South Korea had to agree to pay stationing costs for U.S. forces in the Korean peninsula. First, in contrast to the 1960s, the U.S. perception of threat from North Korea was moderate in the 1980s. Although the Soviet Union was the primary adversary of the U.S., there was little possibility of Soviet or Chinese support for North Korea. For South Korea, however, North Korea's superiority of weapons and armed forces over South Korea (except for magnitude of military expenditures) and its revealed intention to invade posed a significant threat.

Second, for the U.S., the high federal budget deficit was a critical constraint on

[25] In 1990s, the debate on defense spending became more dynamic and public. The major daily newspapers began to deal with the debate on the issue of defense burden (*Joongang Ilbo*, Sept. 2, 1992). The Ministry of National Defense also more actively debated defense spending in order to appeal for a certain level of defense spending. For example, it published pamphlets (e.g., *Our Defense Spending*, 1994; *South Korean Defense Toward 21st Century*, 1995; *South Korean Security and Appropriate Size of Defense Spending*, 1996) which included the rationale for a certain level of defense spending and transmitted them to relevant departments.

defense spending during the 1980s. It was one of the most powerful factors affecting decision-making on the defense burden. For South Korea, however, the budget deficit was not a problem. In 1987, the budget deficit even turned into a surplus. In addition, due to the continuous and high rate of economic growth, the relative economic capability of South Korea significantly increased. Thus, in ability terms, South Korea could afford to spend more for defense.

Third, the U.S. Congress played a significant role as a constraint in decision-making on defense spending. During the late 1980s, especially in 1987, congressional legislative activities related to the defense burden and to troop reduction or to a withdrawal plan were severe. The Congress also posed a serious constraint in terms of its reluctance to appropriate funds for the defense budget. In 1986, the Congress cut 8.4% of the original request, the biggest cut since World War II. The public also showed a strong opposition to defense spending policy, although it showed only moderate opposition to the policy on internationalism.

Fourth, the U.S. still had a high level of security interest and a moderate level of political interest in South Korea. The Reagan Administration reemphasized the strategic and political importance of the Korean peninsula and reinforced U.S. forces in South Korea. South Korea also had a significant security interest in the alliance with the U.S. and in the maintenance of the U.S. troop presence in South Korea. Economically, both countries were important trade partners because South Korea became the sixth largest trading partner of the U.S. in 1987. Although both countries were benefitting from such trade, South Korea enjoyed a much larger bilateral trade surplus. In terms of grants and

credits, South Korea's negative figures represent that the total of grant returns, principal repayments, and foreign currencies disbursed by South Korea exceeded new grants and credits utilized by the U.S.

Lastly, bureaucratic politics in South Korea played a role as a constraint. During the late 1980s, a pulling and hauling game among related ministers played a role in decision-making on the defense burden in South Korea.[26]

In sum, the U.S. had significant constraints such as a high federal budget deficit, congressional activities related to defense burden, and public opposition to defense policy, whereas it had facilitating factors such as security and political interests. As Figure 5-2 indicates, although constraints contracted the U.S. Win-Set, these constraints could be used to advantage as a leverage in bargaining with South Korea. South Korea also had constraints such as domestic bureaucratic politics, whereas it had facilitating factors such as security and economic interests, significant perception of threat, and increased economic capability. These constraints also shrank the Win-Set of South Korea, but South Korea could use them as leverage in bargaining on its defense burden with the U.S.

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[26] Bureaucratic politics in South Korea was more influential to decision-making on defense burden if measured as a ratio of military expenditures to GNP than if measured as cost-sharing. Although the role of bureaucratic politics, as a constraint for South Korea, cannot be easily observed in Figure 5-2, it played a more significant role in decision-making on defense burden measured as the ratio of military expenditures to the GNP. Bureaucratic politics focused more on the issue of the level of defense spending as a percentage of GNP than cost-sharing. In short, the decreasing trend in the defense burden of South Korea during the 1980s can be partly explained by bureaucratic politics.

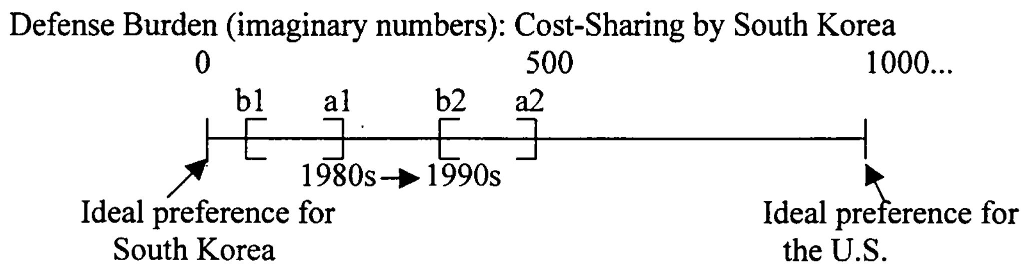

Figure 5-2: The Changes of Win-Sets on the Defense Burden of South Korea, 1988
Notes: The ideal preference for South Korea in this figure is different from those in other figures because measurements of defense burden are different. In this figure, the ideal preference for South Korea is paying nothing for costs for stationing U.S. forces, whereas in other figures South Korea's ideal preference is not a zero payment because it voluntarily maintained minimum military expenditures due to the possibility of abandonment.

South Korea's agreement to contribute additional costs for the stationing of U.S. forces in South Korea was a result of explicit bargaining between the two countries. Although the specific bargaining target was different than in previous cases, the basic logic or rationale of each country was the same. For the U.S., a large federal budget deficit, congressional pressure for allies to increase their contribution and its high cut rate of defense spending, and public opposition to the defense policy, contracted its Win-Set, although facilitating factors such as security and political interests served to enlarge it. As a result, its acceptable range for South Korea's share of U.S. forces stationing costs moved from b1 to b2. South Korea's expansion of its Win-Set from a1 to a2 was facilitated by significant security and economic interests, a significant perception of

threat, and increased economic capability, although there was a constraint posed by bureaucratic politics.

CHAPTER 6

SUMMARY AND CONCLUSIONS

The purpose of this study was two-fold. In the broad and theoretical context, this study was initiated to explore the economic theory of alliances which has become one of the most dominant issues in the international relations field. Two of the contending models for the relationship between allies regarding the defense burden were explored and the alternative relaxed bargaining model was suggested. In the narrow and empirical context, this study attempted to apply the relaxed bargaining model to the U.S.-South Korean alliance. Thus, the major goal of this study was to determine how well that model accounts for South Korea's defense burdens.

This study first examined the basic logic of each model. As a result, it questioned the "free-riding" model and suggested the new concept of latent bargaining which is a reflection of a situation and not of a process. This study designated the outcome of latent bargaining as "easy-riding," which represents an asymmetric contribution, rather than free-riding. More importantly, the "bargaining" model was relaxed to enhance its power of explanation. Finally, this study concluded that the relaxed bargaining model best accounts for South Korea's cooperative behavior in regards to defense burden in the U.S.-South Korean alliance. It has also shown that the nature of bargaining has changed as the context has changed.

This model was applied to four cases concerning South Korea's defense burden. As a framework for analysis, the concept of Win-Set was applied to evaluate the effects of contextual factors. Four (five for the last case) categories of contextual factors at both the domestic and state levels were analyzed based on the concept of the Win-Set. The Win-Set is the range of acceptable outcomes at the state level decided by factors at both the domestic and state levels, whereas Putnam's win-set is the range of acceptable outcomes at the domestic level constructed by only domestic constituents.

This chapter first summarizes the theoretical arguments and empirical findings of this study and then draws the theoretical and empirical implications of these results.

Theoretical Arguments

The first theoretical argument of this study is that the concept of "free-riding" has been misapplied to the alliance context and thus is not appropriate to explain cooperative behavior in an alliance. Instead, it suggests the new concept of latent bargaining to represent the specific bargaining situation and names a specific outcome of the latent bargaining "easy-riding" to explain asymmetric contribution.

In doing this, three weaknesses of the free-riding model were discussed and the logic of game theory (the Prisoner's Dilemma) was used. First problem with the free-riding model is related to the impureness of the public good provided by the allies. This study relies on the argument that national defense is an impure public good. National defense has two components: deterrence and protection. Deterrence is perceived as a pure

public good that satisfies both nonrivalness and nonexcludability. By contrast, protection is an impure public good because of the thinning effect, and its benefits are rival and excludable. However, national defense is not characterized as either of these extreme elements but instead as a mixture of the two. In addition, private goods such as disaster relief, coastal guard, and the maintenance of domestic order in times of emergencies are also provided by the national defense. In short, free-riding is not the best option for the smaller ally because the collective goods provided by the alliance are mostly impure public goods and some private goods. Free-riding is mostly possible in the domestic context, where purely public goods exist.

The second weakness of the free-riding model is that it does not consider the possibility of allies' voluntary contributions to an alliance. Cooperation between allies can be voluntary or partially coerced by the norms established by the alliance. Cooperation between allies in terms of defense burden occurs through the limited coercive mechanism and norms that an alliance has and through voluntary behavior. Two different contexts provide the rationale for the ally's voluntary contribution to the alliance. The first one is the fear of abandonment. Under the anarchical context of the international system, the smaller ally who depends on the larger ally worries about the risk of abandonment because there is no reliable authority to enforce contracts or commitments. This context enhances the smaller ally's motivation for self-reliance, leading to a voluntary contribution to defense. The other is the presence of private goods provided by defense spending. In short, the fear of abandonment and the presence of

private goods prevent the smaller ally from free-riding and allow it to contribute voluntarily.

Another problem is that the free-riding perspective does not consider the interaction between state level and domestic level factors. It only considers the cost aspect, i.e., the defense burden. In fact, there is a dynamic interaction between many factors at the domestic and state levels related to the defense burden. In other words, the value of maintaining the alliance and other domestic socio-political constraints should be considered. If constraining factors at the domestic level such as economic conditions and political and public support are considered, the smaller ally's ability to contribute to the alliance is more accurately estimated. Consideration of facilitating factors at the state level such as threat perception and interests provides a more precise estimation of the defense burden relationship in an alliance because the decision-makers are influenced by these incentives. Moreover, unlike most literature on the economic theory of alliances, noneconomic incentives (such as solidary and purposive incentives) as well as economic incentives are considered in estimating contextual factors in this study.

Game theory, finally, provides more crucial criticism of the free-riding model. An iterated Prisoner's Dilemma game in which a Tit-For-Tat strategy is effective helps us to understand the logic of collective action. The smaller ally's choice of defection when the larger ally cooperates is analogous to free-riding in a collective action. The choice of defection-cooperation is possible in a collective action in the domestic context where detection of and retaliation for defection are difficult. However, in an alliance, the option of defection-cooperation is not a dominant strategy because the smaller ally fears

retaliation by the larger ally. Although the smaller ally contributes disproportionately less, this payment represents cooperation rather than free-riding as long as the smaller ally pays what the larger ally expects or maintains a previously agreed upon level. The asymmetrical Prisoner's Dilemma is able to account for this logic of cooperation conducted through a disproportionately smaller contribution by the smaller ally. The concept of expectation is important to distinguish cooperation from defection. Whether a smaller ally defects from its partner or cooperates with its partner is dependent on the level of its partner's expectation or a previously agreed upon level.

In short, free-riding is not an attractive option to the smaller ally in the alliance context because of the fear of abandonment and of the existence of the private good in the defense. Moreover, the defection is not a dominant choice in the Prisoner's Dilemma and thus the smaller ally rarely defects from the larger ally. If the smaller ally defects, the alliance will break down or the credibility of commitments to the alliance will be weakened. As a result, the possibility of abandonment will be higher, and finally the alliance will have no more real value.

This study alternatively suggests the concept of easy-riding to explain the smaller ally's disproportionately smaller contribution as an outcome of latent bargaining. The difference between free-riding and easy-riding is whether the smaller ally defects from the larger ally or not. The common attribute is that the smaller ally provides a disproportionately smaller contribution for the defense than the larger ally does. Thus, easy-riding is possible when the smaller ally enjoys a disproportionately smaller

contribution to the common defense without its defection and without any pressure or request by the larger ally that it increase its defense burden.

The other main theoretical argument is that the relaxed bargaining model, which includes latent, tacit, and explicit bargaining, is the better model to account for the relationship in an alliance regarding the defense burden. And the nature of bargaining is changing. This argument was initiated by Palmer's bargaining model, which argues that there is a positive relationship between changes in the defense burden of the larger ally and the smaller ally. The smaller ally moves its defense burden in the same direction as that of the larger ally. This is the basis for the logic of cooperation in terms of defense burden between allies.

This study, however, relaxed Palmer's bargaining model and provided a broader concept of bargaining in alliances. It first argued that the direction the smaller ally moves its defense burden is not necessarily the same as that of the larger ally. The asymmetrical Prisoner's Dilemma explains the bi-directional changes in the defense burdens of the smaller ally. When the asymmetrical Prisoner's Dilemma changes to the symmetrical Prisoner's Dilemma, the smaller ally's defense burden moves in a different direction from that of the larger ally.

Additionally, this study broadened the concept of bargaining based on three types of bargaining: latent, tacit, and explicit bargaining. Tacit bargaining and explicit bargaining have been frequently discussed by many other scholars in the international relations field. Explicit bargaining is a process of diplomatic exchanges or formal negotiations aimed at reaching an agreement between states. Tacit bargaining is a

different means to achieve or maintain a cooperative status quo. Tacit bargaining differs from explicit bargaining in its goal and means. The goal of explicit bargaining is to reach an agreement by means of communications or diplomatic exchanges. However, tacit bargaining is intended to influence the partner's voluntary policy changes by means of actions rather than communications. The common attribute is that both are processes. Yet, pure tacit bargaining is rare. Instead, states often link tacit bargaining to formal or informal negotiations. Latent bargaining, however, never has been considered as a part of bargaining in the existing literature. This study defines latent bargaining as the situation of being in a bargaining context in an alliance without undertaking any actions or negotiations to influence a partner's policy. It is not a process but a situation. When an alliance is formed and comes into effect, latent bargaining exists. In other words, latent bargaining always exists in the alliance context until an action or formal negotiation to change other allies' policy takes place. Latent bargaining has potential to change into tacit or explicit bargaining when the situation changes. In other words, when respective Win-Sets do not overlap due to changes in contextual factors, action or negotiation occurs. That is, the status of latent bargaining changes into tacit or explicit bargaining. The nature of bargaining (e.g., latent, tacit, and explicit bargaining) changes along with changes in the contextual factors.

In short, in contrast to previous literature, this study considers a situation (bargaining context) as well as a process (bargaining process) in an alliance as a part of bargaining. These two main theoretical arguments are applied to the U.S.-South Korean alliance to explain South Korea's defense burden over thirty years.

Empirical Findings

Four cases regarding the defense burden sharing in the U.S.-South Korean alliance were selected and investigated through applying the relaxed bargaining model. The first is a case of easy-riding or latent bargaining, the second of tacit bargaining, and the last two of explicit bargaining.

Case I: Latent Bargaining—Easy-Riding (1961-1968)

From 1961 to 1968, South Korea heavily depended on the U.S. for security enjoying a disproportionately smaller contribution to defense. During most of this period, the defense burdens of South Korea were roughly half those of the U.S. Despite South Korea's low level of defense burden, the U.S. did not pressure South Korea to increase its defense burden. Instead, the U.S. provided high levels of military and economic aid which allowed South Korea's defense burden to stay at a low level.

South Korea's strong domestic constraints and critical U.S. security and political interests account for this situation. As Table 6-1 shows, South Korean decision-makers were motivated to increase the defense burden by such state level factors as a high level of threat perception and a high level of security and economic interests. It also had constraining factors at the domestic level such as an extremely limited economic capability. Although there were such incentives, ability to contribute was extremely limited. In other words, the domestic economic incapability played the most significant role as a constraint. Thus, South Korea's Win-Set highly contracted although there were some incentives which tended to enlarge the Win-Set.

Table 6-1
Effects of Contextual Factors
(South Korea)

Categorization of Contextual Factors		Factors	Case I		Case II		Case III		Case IV	
			W-S	D.V.	W-S	D.V.	W-S	D.V.	W-S	D.V.
State Level Factors	Threat	Threat	H/E	+	H/E	+	H/E	+	H/E	+
	Interests	Security	H/E	+	H/E	+	H/E	+	H/E	+
		Economic	H/E	+	L/E	+	H/E	+	H/E	+
Domestic Factors	Economic Conditions	GNP share	H/C	-	H/C	-	M/C	-	L/C	-
		Prosperity I	H/C	-	H/C	-	M/C	-	L/C	-
		Budget D/S	.	.	.	.	.	.	.	.
	B/P	B/P	.	.	.	.	.	.	H/C (L/C)	-

(U.S.)

Categorization of Contextual Factors		Factors	Case I		Case II		Case III		Case IV	
			W-S	D.V.	W-S	D.V.	W-S	D.V.	W-S	D.V.
State Level Factors	Threat	Threat	H/E	-	H/E	-	M/E	-	M/E	-
	Interests	Security	H/E	-	H/E	-	H/E	-	H/E	-
		Political	H/E	-	H/E	-	H/E	-	M/E	-
		Economic	L/E	-	L/E	-	L/E	-	.	.
Domestic Factors	Economic Conditions	GNP share	.	.	.	.	.	.	.	.
		Prosperity I	.	.	.	.	.	.	.	.
		Budget D/S	.	.	.	.	M/C	+	H/C	+
	Political-Public Support	Public S	.	.	H/C	+	L/C	+	H/C	+
		Political S	.	.	M/C	+	.	.	H/C	+

Notes: W-S represents the respective Win-Sets and D.V. represents the dependent variable, that is, the defense burden of South Korea. E represents an enlarging Win-Set and C represents a contracting Win-Set. H represents highly influencing factors. M represents moderately influencing factors. L represents a low level of influence. Thus, H/C represents that this factor highly contracted the Win-Set. Plus sign (+) indicates the positive impact on the dependent variable and a minus sign (-) indicates a negative impact on the dependent variable. A period (.) indicates no significant effect from the factor.

On the other hand, the U.S. had strong incentives as well, including a high level of threat perception and security and political interests, but did not have any significant domestic constraining factors. Due to the U.S. Cold War containment strategy, security and political interests in the Korean peninsula were crucial to U.S. security. Thus, the U.S. Win-Set enlarged enough to accept South Korea's low level of defense burden during this period.

Respective Win-Sets easily overlapped and South Korea's low level of defense burdens was accepted by the U.S. without conflict. In other words, the U.S. Win-Set was large enough to overlap with that of South Korea. This was possible because the U.S. did not have a significant domestic constraint which would tend to contract its Win-Set, and because it expected the low level of South Korea's defense burden due to its economic inability.

Although South Korea spent disproportionately less, it was not free-riding because no evidence of defection was observed. South Korea's defense burdens were within the acceptable U.S. range. That means South Korea spent as much as the U.S. expected. Thus, it was not free-riding, but easy-riding. This lack of exploitation of the alliance by South Korea is consistent with de Luca's argument that the U.S. is never exploited by its allies in terms of defense burden-sharing. Easy-riding means that South Korea was enjoying a disproportionately smaller contribution without U.S. pressure or conflict. Easy-riding was within the bargaining context, although no action or negotiation occurred. The situation during this period is characterized as latent bargaining and is apt

to change into tacit or explicit bargaining when respective Win-Sets do not overlap due to changes in contextual factors.

Case II: Tacit Bargaining—the Nixon Doctrine (1969)

The Nixon Doctrine was announced on July 25, 1969 without any security consultation with U.S. allies. It was a critical change for most East Asian countries, especially South Korea. After this doctrine was announced, U.S. security assistance decreased sharply and completely stopped in 1977. In addition, the U.S. withdrew one of two infantry divisions. In response to these changes, South Korea began to contribute more to its national defense and to make an effort to enhance its self-reliance in terms of military capability. As a result, it was inevitable for South Korea to increase its defense burden, and statistics indicate an increasing pattern of defense burden in the 1970s.

The U.S. announcement of the doctrine is interpreted as an action intended to influence South Korea's behavior regarding the defense burden rather than a negotiation to make an agreement on defense burden with South Korea. This study categorized this process of action as tacit bargaining since tacit bargaining is a process that relies on actions intended to influence partner's policy changes but whose goal is not to reach an agreement. The U.S. took this measure because its ability to accept the low level of South Korea's defense burden decreased due to changes in domestic level factors. The easy-riding which existed until 1968 changed into a bargaining process with the U.S. action constituted by the announcement of the Nixon Doctrine and by the withdrawal of U.S. forces from the Korean peninsula. These changes were influenced by changes in

contextual factors at the domestic level which limited U.S. ability to accept the low level of South Korea's defense burden.

South Korea's contextual factors at the state and domestic levels did not change and those situations were similar to those during 1961-1968. As Table 6-1 shows, although a high level of threat perception and a critical security political interest provided incentives to increase its defense burden, South Korea's ability to contribute more was constrained by its extremely limited economic capability. However, the domestic changes in the U.S. limited its ability to accept the low level of South Korea's defense burden and led to a different status of bargaining. The major changes occurred at the U.S. domestic level, although the incentives provided by the state level factors remained the same as the previous period. Strong public and moderate congressional opposition to the government's defense policy (mainly influenced by the Vietnam War) proved more of a constraint than in previous periods. Because of these domestic constraints, the Win-Set of the U.S. concerning South Korea's defense burden contracted. In other words, the U.S. range or ability to accept the low level of defense burden shouldered by South Korea shrank significantly. Thus, South Korea had to move its own Win-Set to seek an overlapped range with that of the U.S. Thus, it was inevitable that South Korea would contribute more to defense, and consequently South Korea had to increase its defense burden. This study argued that this increase was a result of tacit bargaining.

Case III: Explicit Bargaining—6% of GNP (1979)

In June 1979, South Korea agreed to increase its defense burden to 6% of its GNP from the following year on the condition that the U.S. annul Carter's U.S. troop withdrawal plan. In 1980, for the first time, the defense burden of South Korea reached over 6% of its GNP and this(level of defense burden continued for three years. This was the first explicit bargaining on the defense burden between the two countries. An analysis of contextual factors using Win-Sets allows a better understanding of why the U.S. required this high level of defense burden and why South Korea consented to it.

The U.S. perception of threat lowered during the late 1970s because of détente and the declining possibility of Chinese or Soviet support to North Korea. Although other state level factors stayed at the same level as before, the decreased threat perception reduced the incentives. More importantly, changes in U.S. domestic factors affected its Win-Set more significantly. The continued high level of budget deficit which reached 4% of GNP, along with the low level of public support were important factors contracting its Win-Set. These decreased incentives and the increased power of domestic constraining factors made the U.S. Win-Set shrink.

On the other hand, South Korea's state level contextual factors did not change, but the domestic constraints changed to a more moderate level. In other words, South Korea's incentives to increase defense burden did not change, but the ability to contribute to the defense increased. This increase was due to improved economic capability in relative as well as absolute terms. Thus, its Win-Set could enlarge.

Considering these changes in both countries, the agreement on 6% of GNP was not an impossible one. Although the U.S. Win-Set contracted, there was some overlapped range because the Win-Set of South Korea was able to enlarge due to its increased ability to contribute. Unlike the two previous cases of bargaining, this was a process of negotiation between the two countries to reach an agreement, i.e., explicit bargaining. If contextual factors are considered, bargaining process can also account for the increasing pattern of South Korea's defense burden during the 1980s despite the decreasing trend of the U.S. defense burden, which cannot be explained by Palmer's bargaining model. In short, the examination of this case suggests that the relaxed bargaining model can account for the defense burden of South Korea.

Case IV: Explicit Bargaining—Cost-Sharing (1988 SCM)

Since the late 1980s, bargaining on the defense burden between the two countries has been discussed at the ROK-U.S. Annual Security Consultative Meeting (SCM) and has focused on the cost-sharing issue instead of traditional measurements of defense burden (military expenditure as a percentage of GNP). At the 20th SCM in Seoul, U.S. participants raised the cost-sharing issue and requested South Korea to share the stationing costs of U.S. forces in the Korean peninsula. South Korea agreed, and as a result, allocated $45 and $70 million dollars in 1989 and 1990, respectively. Since this agreement, South Korea's share of the costs for U.S. forces has continuously increased. The U.S request for stationing costs and South Korea's consent to it may be explained through the analysis of contextual factors based on the concept of Win-Set.

For South Korea, while incentives provided by state level factors remained about the same as in the previous period, major changes occurred in the domestic level factors. The degree of threat perception and security and economic interests did not change significantly. The first significant change was that South Korea could have a better ability to contribute to the defense efforts than in the previous period. South Korea's increased relative economic capability was the source of a change in ability. As Table 6-1 shows, domestic economic conditions, long a highly or at least moderately constraining factor, began to play only a minor role. The other domestic factor acting as a constraint was bureaucratic politics. In the 1980s, bureaucratic politics played a role in limiting the government's ability to allocate more for defense. However, it was more influential to decision-making on defense burden when measured as a ratio of military expenditures to GNP than when measured as cost-sharing. In short, bureaucratic politics acted as a highly constraining factor in decision-making on the level of defense burden as a percentage of GNP, whereas it played only a minor role in constraining decision-making on cost-sharing.

During the late 1980s, the U.S. experienced more changes in contextual factors, especially at the domestic level. The U.S. had fewer incentives than in the previous period to cooperate in the alliance, and more importantly, its domestic factors acted as very strong constraining factors. The high level of continuous budget deficit, which reached an average of 3% of GNP, dynamic debate on the defense burden, the high cut rate of defense spending (e.g., 8.4% cut rate in 1986) in Congress, and strong public opposition to the defense policy were severe constraints on U.S. decision-makers.

The result from explicit bargaining at the SCM can be understood by the changes in respective Win-Sets. Due to the changes in the U.S., its Win-Set contracted significantly and the U.S. requested South Korea to share stationing costs. South Korea had more economic capability and was able to enlarge its Win-Set to overlap with the U.S. Win-Set.

Finally, this study concludes with four arguments based on the theoretical and empirical findings. First, the study argues that South Korea's pattern of disproportionately smaller contributions in terms of the defense burden during 1961-1968 is characterized as latent bargaining rather than "free-riding." The reason is that South Korea did not commit the defection or exploitation which characterizes free-riding in the Prisoner's Dilemma since it contributed as much as the U.S. expected. Instead, it suggests the new concept of "easy-riding" to explain South Korea's disproportionately smaller contribution to the common defense. Second, the Nixon Doctrine is characterized as tacit bargaining since it was a process that relied on actions intended (partly) to influence South Korea's policy on defense burden but whose goal was not to reach an agreement. The Nixon Doctrine was an action which significantly influenced South Korea's defense burden. Third, the agreement reached in 1979, which set South Korea's defense burden at 6% of the GNP, and the agreement reached in 1988, which requested that South Korea share costs for stationing U.S. forces in the Korean peninsula, are explicit bargaining because they were reached through formal and diplomatic negotiation. This study finally argues that the relaxed bargaining model which includes three types of bargaining (latent, tacit, and explicit bargaining) is the better model to

account for the defense burden relationship in the U.S.-South Korean alliance. This study additionally argues that the nature of bargaining in the alliance has changed as contextual factors have changed.

Implications

The theoretical and empirical arguments in this study are more valuable when their political relevance is made evident. Some of the arguments are relevant to the real world of politics regarding defense burden-sharing. The most obvious implication of this study is to suggest that the logic of free-riding does not have enough persuasive power for the intra-alliance bargaining processes.

We can observe the large number of arguments by the press and politicians using the logic of free-riding (Caldwell, 1991; Goldsborough, 1994; Mortimer, 1995; Gompert and Kugler, 1996; Okazaki, 1996; Mike, 1997; *The Times*, Feb. 25, 1997). As former Secretary of Defense Carlucci stated, American politicians' charges of "free-rider" and "shirker" could even undercut the stability of alliances (Grier, 1988). The findings of this study are useful in defending the smaller allies against accusations of free-riding, and further provide a new approach for policy makers or negotiators. These findings suggest that policy makers or negotiators must understand the partner's capability as well as its incentive, instead of just relying on the logic of free-riding to reach an agreement with its allies. To do this, they need to understand the structure of respective Win-Sets and try to find out how to mutually satisfy. Charging the smaller ally with free-riding based on a

simple comparison of defense burden in absolute terms is not an effective way to reach agreement. Instead, policy makers for the larger ally first have to figure out what a smaller ally's incentives and capability are and what their own are. Then they have to try to seek the best option to mutually satisfy both sides. This implies that Fisher and Ury's so-called "interest approach" is better than the "power approach" which is preferred by realists. When we rely on this approach, as neoliberal institutionalists argue, alliances have more valuable functions.

Second, the concept of Win-Set is useful theoretically and empirically because it considers both the ally's preference, which is structured more by state level factors, and its ability, which is decided more by domestic factors. State behavior in general is decided by interaction between state preference and ability. Neither the preference nor the ability alone decides state behavior. According to the analysis done here, the policy makers or negotiators from the smaller ally (e.g., South Korea in this case) have to utilize the logic of Win-Set in the bargaining process with its partner (the U.S.), thus avoiding the yoke of the defense burden alone. Instead, they have to emphasize its intangible as well as tangible costs and benefits, as well as the importance of ability as a contextual factor. They have to remember Carlucci's statement that "You can't talk about financial contributions alone" (Grier, 1988). They also have to have more positive and active attitudes toward U.S. representatives and avoid the one-sided agreements which result from simple acceptance of U.S. requests. They need to have confidence that South Korea has not defected from the U.S. and is not a free-rider. Regarding this point, the former Commander in Chief of the U.S. Command/U.S. Forces in Korea, General Louis C.

Menetrey, stated that "the Republic of Korea deserves a better reputation and recognition for its past security sharing efforts. It also deserves credit for the positive attitude it has taken toward addressing our desires for increased efforts" (1988: 20).

Finally, this study implies the utility of synergistic strategies suggested by Schoppa (1993). To reach an agreement between allies, respective Win-Sets have to overlap. In order to have an overlapped range, negotiators try to reshape their own Win-Set. Moreover, it is also possible for negotiators to reshape their partner's Win-Set. According to Putnam's concept of win-set, this synergistic strategy relies on only domestic factors. However, the concept of Win-Set allows them to use both domestic and state level factors. In order to enlarge the partner's Win-Set, the smaller ally may emphasize the incentives that the larger ally has in the alliance as well as try to reduce the domestic constraints faced by the larger ally. For example, the smaller ally can emphasize interests that concern the larger ally and reveal unknown sources of threat in order to increase the preference or incentive which tend to enlarge the partner's Win-Set. In addition, it is not impossible to think of lobbying the larger ally's politicians or political interest groups in order to decrease the effects of their domestic constraints.

At a recent SCM, the U.S. and South Korea agreed that the current security relationship between the two countries remains central to the stability of the Korean peninsula and Northeast Asia. One of the major pending issues concerning the current security relationship is defense burden-sharing. The U.S. continues to be concerned that South Korea maintain a substantial level of cost-sharing, although it employed the new concept of responsibility-sharing in general in 1994. In 1995, the two countries agreed to

the first multi-year Special Measures Agreement (SMA) covering the period 1996-1998. Under the SMA, South Korea agreed to increase its direct cost-sharing contribution by 10% each year. However, the U.S. is taking into account the impact of South Korea's financial crisis of 1998 and the resulting devaluation of the South Korean won relative to the U.S. dollar in adjusting the SMA. Although such bargaining on cost-sharing between the two countries continues, the U.S. concludes that South Korea has made major contributions to regional security through a 33% of increase in its defense spending since 1990, a large contribution to defense compared to the decline of 20% recorded for all Pacific and NATO allies combined and to the 27% reduction for the U.S. Moreover, the U.S. understands that South Korea's domestic economic constraints limit its ability to make the large contribution to foreign assistance called for in the name of responsibility-sharing.[1] Considering these situations regarding defense burden-sharing, the theoretical arguments of this study have significant value in accounting for this current defense burden-sharing relationship.

However, this study is not meant to offer an overarching generalization on the relative influence each contextual factor has on the Win-Set. In this study, for example, the economic condition was the most critical factor in constructing South Korea's Win-Set in the first case, whereas threat perception and security interest were the most important factors for the U.S. in the same case. The U.S. domestic factors, which were not significant in the first case, were critical factors in making its Win-Set in the last case.

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[1] These figures are from the *Report on Allied Contributions to the Common Defense*, 1998, by the Department of Defense.

This study suggests that the relative weight of each factor more likely depends upon the situation. Thus, further studies are suggested that would focus on the issue of determining the relative weight of contextual factors so as to more accurately elucidate the nature of Win-Set and of bargaining between allies.

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APPENDICES

APPENDIX A

Abstracts of
Congressional Legislative Activities
On Defense Burden-Sharing: 1960s-1987

Abstracts of
Congressional Legislative Activities
On Defense Burden-Sharing: 1960s-1987

Bill Number/ Introduced Year	Bill Name and Abstract	Result
Various (1966-74)	Mansfield Resolutions: NATO allies should play a larger role in the defense of Europe and 50% of U.S. forces in Europe should be withdrawn. Urges the President to withdraw U.S. forces from Vietnam within nine months if American prisoners of war were released.	Not adopted
S.3293 (1968)	Symington Amendment: prohibits the use of funds after 31 December 1968 to support more than 50,000 members of the United States armed forces on the continent of Europe.	Not adopted
PL.93-155 (1973)	Jackson-Nunn Amendment: Requires U.S. allies to offset the balance of payments deficit in FY 1974. Refusal to pay would have resulted in automatic U.S. force reductions.	Adopted
PL.93-365 (1974)	Nunn Amendment: Requires to be cut U.S. noncombat military personnel located in Europe by 18,000.	Adopted
PL.94-106 (1975)	Culver-Nunn Amendment: Makes it the policy of the U.S. that equipment procured for use of Armed Forces personnel stationed in Europe under NATO should be standardized or at least interoperable with equipment of other NATO or more.	Adopted
PL.97-377 (1982)	Stevens Amendment: Limit the number of U.S. troops in Europe to the September 1982 level of 315,600 (a cut of 20,000) but the limit could be waived by the President in the interests of national security.	Adopted

Appendix A (continued)

SCR.88	Roth Resolution: Expresses the sense of the Congress that the President should propose at the June 1982 NATO summit meeting that the NATO allies should pool their resources for their common defense and present the implementing agreements to Congress for approval.	Referred
SAMDT.3229 (1984)	Nunn-Roth Amendment: Prescribes an end strength level on U.S. forces assigned to permanent duty in European NATO countries, to request certain improvements in allied defense capabilities, and to provide for the reduction of U.S. forces in other NATO countries under certain circumstances.	Not adopted
PL.98-525 (1984)	Cohen Amendment: Urges the President and the Secretary of Defense to continue to encourage NATO members and Japan to fulfill their commitments, including a three percent real increase in defense spending.	Adopted
H.R.4842 (1985)	Schroeder Amendment: Provides for a phased reduction of U.S. troops stationed ashore outside the U.S. from FY 1987 through 1991 and emphasizes allies fair share contribution to the common defense.	Referred
HRES.130 (1986)	Bennett Resolution: Expresses the sense of the Congress that the U.S. should place greater emphasis on the improvement of the capabilities of the U.S. conventional forces, seeking also additional cooperation with other member nations of the NATO.	Referred
H.R.2805 (1987)	Bereuter Bill: Expresses the sense of the Congress that the President should establish a commission on out-of-area issues with European NATO allies and Japan.	Referred

PL.100-204 (1987)	Conrad Amendment: The President should negotiate with the members of mutual defense alliances with the U.S. to achieve a more just distribution of alliance burdens.	Adopted
H.R.2231 (1987)	Bryant Bill: Prescribes an end strength level of U.S. forces assigned to permanent duty in NATO countries and Japan and to provide for the reduction of U.S. forces in these countries under certain circumstances.	Referred
H.R.3771 (1987)	Davis Bill: Directs the Secretary of Defense to reduce U.S. troops in any NATO member country, Japan, South Korea, or any other country that participates with the U.S. in a common defense alliance, in order to offset additional Department of Defense costs resulting from negative currency fluctuations, unless such country reimburses the U.S. for such costs.	Referred
H.R.2549 (1987)	Hunter Bill: Requires the President, if the Japanese budget during any fiscal year does not contain a minimum acceptable security outlay, to determine the difference between such outlay and the budgeted amount and impose duties on Japanese imports sufficient to equal such difference.	Referred
HCR.139 (1987)	McMillian Concurrent Resolution: Expresses the sense of the Congress that the U.S. should enter into negotiations with countries which participate in a common defense alliance with the U.S. for the purpose of a more equitable appointment of the burden of financial support for the alliance.	Referred
HAMDT.85 (1987)	Mrazek Amendment: Recommends that the President develop a plan for the orderly reduction of U.S. military personnel and activities in South Korea during fiscal years 1988 through 1992, with provision for continuance of certain training, technical, and maintenance support by the U.S. within such plan.	Rejected

HCR.62 (1987)	Neal Concurrent Resolution: Expresses the sense of the Congress that the President should negotiate an agreement with Japan providing that Japan pay the U.S. an annual security fee to compensate the U.S. for expenditures made pursuant to the U.S./ Japanese Treaty of Mutual Cooperation and Security.	Referred
H.R.1107 (1987)	Regula Bill: Authorizes the President to impose a tariff surcharge on the products of certain countries in order to offset the expense of providing U.S. defense assistance to such countries.	Referred
HJR.327 (1987)	Ritter Joint Resolution: Requires the President or his designee to enter into negotiations with Japan for the purpose of having Japan bear a greater share of the free world's defense burden by either increasing its annual defense expenditures to 3% of its GNP or for the U.S. to obtain the difference between that and the three percent figure.	Referred
H.R.2620 (1987)	Schroeder Bill: Directs the President to impose graduated surcharges on imported goods from allies and neutrals who spend less on defense than the U.S. and countries who support terrorism.	Referred
HCR.204 (1987)	Broomfield Concurrent Resolution: Declares congressional support for the President's policy of protecting freedom of navigation in the Persian Gulf and restoring the peace and security of the region through continued diplomatic initiatives, cooperation with U.S. allies in the region, and appropriate military actions.	Referred
HCR.178 (1987)	Konnyu Concurrent Resolution: Expresses the sense of the Congress concerning the equitable distribution among members of the Western Alliance of the defense burden in the Persian Gulf.	Referred

Appendix A (continued)

HCR.137 (1987)	Snowe Concurrent Resolution: Expresses the sense of the Congress that U.S. allies with significant security and economic interests in the Persian Gulf should join the U.S. in protecting our mutual interests in the reign.	Referred

Source: The Congressional Quarterly Inc., *Congressional Quarterly Almanac*; GPO, *United States Statutes at Large: Containing the Laws and Concurrent Resolutions*; Sovereign Hill Software, *Thomas Databases* (from 1973-1987) <http://thomas.loc.gov /home/thomas2.html>; Simon Duke (1993), *The Burdensharing Debate.*

Notes: * Bills are named by the name of sponsor or cosponsors for convenience. H.R. denotes House Representative; S. denotes Senate; PL. denotes Public Law; HRES. denotes House Resolution; HJR. denotes House Joint Resolution which has the force of law if approved; SCR. denotes Senate Concurrent Resolution; HCR. denotes House Concurrent Resolution which does not have the force of law; SAMDT. denotes Senate Amendment; HAMDT. denotes House Amendment.

APPENDIX B

The GNP, per capita GNP, and Budget Deficit for the U.S. and South Korea (current dollars): 1961-1988

The GNP, per capita GNP, and Budget Deficit for the U.S. and South Korea (current dollars): 1961-1988

Year	GNP		Per capita GNP		Budget Deficit/Surplus	
	U.S (billion $)	SK (million $)	US ($)	SK ($)	US (billion $)	SK (million $)
1961	533.8	2356	2831	82	-3.3	-4.01
1962	574.7	2738	3004	87	-7.2	-76.92
1963	606.9	3869	3120	100	-4.8	0.77
1964	649.8	3348	3296	103	-5.9	4.68
1965	705.1	3026	3525	105	-1.4	-3.75
1966	772.0	3822	3815	125	-3.7	-22.11
1967	816.4	4735	3995	142	-8.6	-25.88
1968	892.7	5975	4440	180	-25.2	21.69
1969	964.0	7478	4760	220	3.2	-152.69
1970	1015.5	8810	4950	270	-2.8	-6.44
1971	1102.7	9722	5310	310	-23.0	-28.81
1972	1212.8	10573	5780	330	-23.4	-409.78
1973	1359.3	13504	6410	390	-14.9	-67.78
1974	1472.8	18550	6890	480	-6.1	-405.47
1975	1598.4	20795	7400	580	-53.2	-417.36
1976	1782.8	28550	8180	750	-73.7	-396.69
1977	1990.5	36791	9040	910	-53.7	-652.89
1978	2249.7	49591	10100	1190	-59.2	-619.83
1979	2508.2	63640	11150	1510	-40.7	-1126.03
1980	2732.0	60501	12000	1630	-73.8	-1397.69
1981	3052.6	66852	13270	1830	-79.0	-2327.36
1082	3166.0	71377	13620	1930	-128.0	-2265.14
1983	3405.7	79564	14510	2100	-207.8	-854.66
1984	3772.2	86955	15910	2230	-185.4	-1043.45
1985	4014.9	83121	16770	2310	-212.3	-1083.88
1986	4231.7	102784	17530	2550	-221.2	-97.57
1987	4515.6	128894	18590	2920	-149.8	581.11
1988	4873.7	172572	19870	3550	-155.2	2746.52

Source: GNPs and budget deficits for both countries are from the *International Financial Statistics Yearbook* published by the International Monetary Fund. Per capita GNPs of both countries from 1968 to 1988 are from the *World Tables* of the World Bank. Per capita GNPs for the U.S. from 1961 to 1967 are from the *Datapedia of the United States* by Kurian. Per Capita GNP for South Korea from 1961 to 1967 are from The Bank of Korea, *National Accounts* (1975).

VITA

Jong-Sup Lee was born in Kyoungbuk province in Korea on October 15, 1960. He graduated from Dalseong High School at Daegu in February 1980 and entered the Korea Military Academy. He received the degree of Bachelor of Science in Civil Engineering and was commissioned as a Second Lieutenant (Infantry) of the Republic of Korea Army (ROKA) in March 1984.

He was promoted to First Lieutenant in April 1985, to Captain in October 1987, and to Major in October 1993. He worked in both the Demilitarized Zone and in the field as a platoon leader and a company commander until he attended the Defense Security Command. He served as an aide de camp to the commander and an instructor at the school of that unit.

He first visited the U.S. to take the Infantry Officer's Advanced Course (IOAC) at Fort Benning, Georgia from January to July 1988. After serving for the ROKA for three years, in August 1991 he entered The University of Tennessee, Knoxville and received a Master of Arts in Political Science in May 1993. In August 1995 he came again to UTK to pursue his Ph.D. degree in Political Science (International Relations) and successfully defended his dissertation on April 14, 1999. All opportunities for training and studies in the U.S. were given by the ROKA. He is returning to Korea and will continue working for the ROKA.