



# TAMKANG JOURNAL OF INTERNATIONAL AFFAIRS

Volume 29 Number 1 September 2025

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## Research Article

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- **India and China's Strategic Advances in Water Security and Climate Resilience**

Neeraj Singh Manhas, Akriti Sharma

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- **A Historic- Legalistic - Institutional Analysis of the US-Japanese Military Relations**

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**September 2025**

## TAMKANG JOURNAL OF INTERNATIONAL AFFAIRS

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## **India and China's Strategic Advances in Water Security and Climate Resilience**

**Neeraj Singh Manhas,\* Akriti Sharma\*\***

### **Abstract**

*India and China are the world's most populated countries witnessing a unique set of challenges in preserving their natural resources but the challenges related to water and climate are still a cause of concern for both. The paper presents the challenges and discusses the strategic approaches of India and China aimed towards strengthening both water security and climate resilience in the light of the United Nations Sustainable Development Goals (SDGs) 06 and 13. SDG 06 is about ensuring availability and sustainable management of water and sanitation for all and SDG 13 is about combating climate change and its impacts. These two SDGs—06 and 13—are interconnected, as addressing water security is essential for adapting to climate change and ensuring sustainable development. Both SDGs require robust policy frameworks, innovative technologies, and regional cooperation to*

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*mitigate the adverse effects of climate change and ensure the long-term availability of water resources. Faced with worsening water scarcity, pollution, and vulnerability to the effects of climate change, both countries have begun to address these issues through policy reform, infrastructure expansion, and new technological solutions. While there has been considerable progress in the areas of water use efficiency, rainwater harvesting, and renewable energy, shortcomings remain in policy implementation, regional heterogeneity, finance, and technology adoption. It further illustrates that, to fulfill their commitments to the SDGs, both countries should strengthen institutional frameworks, bolster cross-border cooperation, and invest in climate-resilient infrastructure. This paper assesses how both countries are responding to their environmental challenges, and evaluates the effectiveness of those policies and actions, through a comparative analysis of India and China's approach to achieving water security and climate resilience. Lastly, it examines the global ramifications of these countries' contributions to the fulfilment of the 2030 Agenda for Sustainable Development by considering the strengths and weaknesses of their attempts under the SDG umbrella.*

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**Keywords:** ASEAN, European Union, Migration, Refugee Crisis,  
Regional Integration

## **I. Introduction to SDG Goals 06 and 13: A Global Imperative**

India and China have key responsibilities towards the Sustainable Development Goals (SDGs), being the most populous and fastest-growing economies of the world. The UN General Assembly in 2015 endorsed the goals as a set of 17 global goals along with 169 targets, to ensure peace and prosperity for all by 2030<sup>1</sup>. The SDGs are interlinked and applicable to all people and countries, regardless of their current level of development. The targets range from poverty reduction, public health, and access to clean water and air, to safeguarding the environment on land and in the ocean. The interlinked nature of the goals necessitates their holistic implementation, involving coordinating various actors. This paper examines goals 6 and 13 to establish a link between water security and climate change, with a wide array of goals, by comparing India and China's approaches to water security and climate resilience.

SDG 6, which “ensures access to water and sanitation for all,” is a significant step towards achieving water security as stress and scarcity of water are still a grave concern in various regions. According to the United Nations 2.4 billion people are in water-stressed countries and the challenges are exacerbated due to

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<sup>1</sup> “Sustainable Development Goals.” United Nations Development Programme, accessed February 20, 2024.

<https://www.undp.org/china/sustainable-development-goals>



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climate change.<sup>2</sup> Uptil 2020, 2 billion people had lack of access to safe drinking water services, and 3.6 billion people lacked access to managed sanitation.<sup>3</sup> Even though water use efficiency has risen by 9 percent globally, water scarcity remains inadequately addressed.<sup>4</sup> SDG 6 targets “achieving universal and equitable access to safe and affordable drinking water, adequate and equitable sanitation and hygiene for all, improving water quality by reducing pollution, increasing water-use efficiency, implementing integrated water resources management, protecting and restoration water-related ecosystems, strengthening local community participation in water management, and expanding international cooperation and capacity-building”.<sup>5</sup>

Simultaneously, SDG 13 aims at “taking urgent action to combat climate change and its impacts.” According to the Sixth Intergovernmental Panel on Climate Change (IPCC) Assessment Report, there is unequivocal evidence of anthropogenic impact of

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<sup>2</sup> “Water and Sanitation - United Nations Sustainable Development.” United Nations, Accessed February 20, 2024.

<https://www.un.org/sustainabledevelopment/water-and-sanitation/>

<sup>3</sup> United Nations. *The United Nations World Water Development Report 2023: Partnerships and Cooperation for Water*. Paris: UNESCO, (2023): 1.

<sup>4</sup> United Nations. *The Sustainable Development Goals Report 2023: Special edition*. (2023): 24.

<https://unstats.un.org/sdgs/report/2023/The-Sustainable-Development-Goals-Report-2023.pdf>

<sup>5</sup> United Nations, “Water and Sanitation - United Nations Sustainable Development.”

warming atmosphere, ocean, and land.<sup>6</sup> With a likely increase in the temperatures, the world is witnessing glacier melt, alteration in the water cycle, and extreme weather events.

SDG 13 acknowledges the Paris Agreement and includes targets such as “strengthening resilience and adaptive capacity to climate-related hazards, integrating climate change measures into national policies, improving education and awareness, implementing the commitment undertaken by developed countries to the United Nations Framework Convention on Climate Change (UNFCCC), and promoting mechanisms for capacity-building and inclusion of marginalized communities and countries.”<sup>7</sup> It acknowledges the necessity of restricting temperature rise to 1.5 degrees Celsius and halving emissions by 2030.

According to the UN, China’s overall SDG performance ranking is 63 out of 166 countries scoring 72. It has a status of “on track or maintaining SDG achievement” for SDG 6 and “stagnating” for SDG 13. On the other hand, India’s overall

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<sup>6</sup> IPCC. “Summary for Policymakers. In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I” in *Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou, eds. Cambridge University Press, Cambridge, United Kingdom and New York, (2021):3–32, doi:10.1017/9781009157896.001.

<sup>7</sup> “Climate Change - United Nations Sustainable Development.” United Nations, Accessed February 20, 2024  
<https://www.un.org/sustainabledevelopment/climate-change/>.

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ranking is 112 with a 63.4 score indicating “moderately improving” status for SDG 6 and “stagnating” status for SDG 13.<sup>8</sup> The SDG 2023 Report indicates that the world is “off track” in achieving the goals, despite having only six years to achieve the SDGs. Being the most populous countries both countries will need to play a leading role with significant and global implications, which could be detrimental to the success of SDGs.

**II. India's Approach to Water Security and Climate Action**

India has taken a holistic approach through national and subnational policies to achieve SDGs. Its monitoring process focuses on each state, making it easy for them to keep track on their achievements and gaps. It has made significant improved its SDG achievement, as evidenced by its improved ranking in the SDG index from 2018 onwards. India, adhering to the concept of cooperative federalism, has localized the SDGs from a global level to a national one. In 2021, the government also localized the indices to improve assessment and provide more focus to address the gaps, leading to the launch of the North-Eastern Region (NER) District SDG Index, the SDG Urban Index, and the India Climate and Energy Dashboard.

A coherent ecosystem is necessary to achieve the highly interconnected SDGs. Hence, all the actors should be highly

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<sup>8</sup> United Nation, “*Sustainable Development Report 2023*.”

coordinated and coherent. Most of the country's policies are in coherence with the SDGs, and the government has made this a multistakeholder process by engaging state governments, local governments, and civil society as a part of planning and implementing the goals. As a result, the government's developmental policies, from economics to infrastructure to the environment, have sustainable development as the driving force. The government has implemented an effective bottom-up approach to strategies and actions within the framework of cooperative federalism. The districts, blocks, and panchayats (lowest levels of government) have been instrumental in the implementation and monitoring of goals.<sup>9</sup> It is anticipated that climate change will have a negative impact on the water balance in many regions of India, as stated in India's Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC). When it comes to the water sector, the Nationally Determined Contribution (NDC) has developed adaptation plans with the goal of promoting the efficient use of water, providing access to water, and combating the negative effects of climate change. Water is

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<sup>9</sup> Sachin Chaturvedi and UNESCAP "Evolving Indian strategy on SDGs and scope for regional cooperation," *Institutional Repository* (2024).  
<https://hdl.handle.net/20.500.12870/4537>

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essential in agriculture and food production, as well as in many industrial operations.<sup>10</sup>

As stated in India's INDC, "Given the development agenda in a democratic polity, the infrastructure deficit represented by different indicators, the pressures of urbanization and industrialization, and the imperative of sustainable growth, India faces a formidable and complex challenge in working for economic progress towards a secure future for its citizens," There are a number of factors that contribute to India's current predicament. According to the 2021 Global Climate Risk Index, India is the seventh most affected country. Additionally, a different study reveals that 17 out of 20 people in India are in danger of experiencing severe hydrological and meteorological disasters along with extreme weather events triggered by climate change.<sup>11</sup>

The NITI Aayog is the nodal institution to oversee the implementation of SDGs, and the Ministry of Statistics and Programme Implementation (MoSPI) is the nodal institution for

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<sup>10</sup> "India's Updated First Nationally Determined Contribution Under Paris Agreement (2021-2030)", *UNFCCC*, Accessed February 20, 2024. <https://unfccc.int/sites/default/files/NDC/2022-08/India%20Updated%20First%20Nationally%20Determined%20Contrib.pdf>.

<sup>11</sup> Rajiv Kumar, Amitabh Kant, Durga Shanker Mishra, Amit Khare, Sunil Kumar, K. Rajeswara Rao, D.P. Singh, et al. *Reforms in Urban Planning Capacity in India 2021*, (2021). <https://www.niti.gov.in/sites/default/files/2021-09/UrbanPlanningCapacity-in-India-16092021.pdf>.

facilitating coordination with line ministries and departments.<sup>12</sup> Local governments are tasked with planning and implementing various aspects of SDG policies. However, the country faces challenges in terms of financial requirements to meet the targets discussed in detail in subsequent sections of the paper.

In the SDG India report for SDG 6, India scores between 54 and 100 for States and between 61 and 100 for UTs, most of which are in the front-runner category (Telangana, Gujarat, Andhra Pradesh, Bihar, Maharashtra, Chhattisgarh, Kerala, Sikkim, Madhya Pradesh, Manipur, Nagaland, Tamil Nadu, Odisha, Himachal Pradesh, Karnataka, Mizoram, Uttarakhand, Haryana, Jharkhand, Tripura, Uttar Pradesh, West Bengal, Meghalaya, Arunachal Pradesh, Ladakh, Dadra and Nagar Haveli, Puducherry, Punjab, Jammu and Kashmir, Chandigarh, Daman and Diu, and Andaman and Nicobar) with Goa and Lakshadweep as achievers. India includes 18 percent of the world's population, but only 4 percent of the global water resources resulting in the most water-stressed countries. The World Resource Institute predicts that India will face significant water stress by 2050.<sup>13</sup>

Climate change has exacerbated this situation by altering seasonal rainfall patterns, causing frequent floods and droughts,

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<sup>12</sup> Rajiv Kumar et al., *Reforms in Urban Planning Capacity in India* 2021.

<sup>13</sup> "2023 Aqueduct Global Maps 4.0 Data," World Resources Institute (WRI) <https://www.wri.org/research/aqueduct-40-updated-decision-relevant-global-water-risk-indicators?auHash=74cRjEQPsH0NDpgT1NqIfNpqV-QpYNR4oiPo1HRhpGs>

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and forcing farmers to rely on groundwater, leading to the depletion of groundwater resources. Projections indicate that climate change will significantly worsen the country's water insecurity. High population density and urbanization will also put pressure on the country's water resources. However, SDG 6 has made significant progress and is on an upward trajectory. Water is a state (federal) subject in India, with power devolving to the local government. However, the central government has implemented various policies to address the issues discussed in the next section of the paper. India's approach to water was more focused on the water supply and less on sanitation, which relied on government subsidies.<sup>14</sup>

Through the year 2030, Asia and the Pacific will require an annual investment of 53 billion dollars in water, as stated in the Strategy 2030 by the Asian Development Bank (ADB). According to the estimations provided by the ADB, approximately one-third of this sum will be required to be provided by the private sector. In light of this, effective governance of the water industry is necessary in order to attract both public and private funding. It places an emphasis on the responsibilities that public institutions have to be able to plan, monitor, and supervise projects, as well as

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<sup>14</sup> S. K. Sarkar, and Girija K. Bharat. "Achieving Sustainable Development Goals in water and sanitation sectors in India." *Journal of Water, Sanitation and Hygiene for Development*, 11.5 (2021): 693-705.

guarantee that transparent subsidies and efficient fiscal management will provide money that is sustainable.<sup>15</sup>

India is one of the most climate-vulnerable countries witnessing impacts like glacier retreats, floods, heatwaves, and droughts. India's diverse geography and varying climate conditions make it susceptible to climate change impacts. Extreme weather anomalies are rapidly increasing and intensifying due to climate change, posing a challenge for the country.<sup>16</sup> As the fastest and most populated economy in the world, India ranks among the top emitters of greenhouse gas emissions. India is home to many major rivers, such as the Ganges, Brahmaputra, and Indus, which provide water for irrigation, transportation, and other essential services. However, they are also prone to frequent flooding, which can result in the loss of lives, displacement, infrastructure damage, and crop failure. Climate change exacerbates this risk by causing more intense and frequent precipitation events.<sup>17</sup>

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<sup>15</sup> "Strategy Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific", Asian Development Bank, (2018).  
<https://www.adb.org/sites/default/files/institutional-document/435391/strategy-2030-main-document.pdf>.

<sup>16</sup> Rakesh Kumar Maurya, *National Implementation of the SDG Monitoring India 2015*. Available from  
<https://unstats.un.org/sdgs/files/meetings/sdg-seminar-xian-2015/Presentation--4.3-Implementation-of-SDG-Monitoring--India.pdf>

<sup>17</sup> Matthew Cohen. "A systematic review of urban sustainability assessment literature". *Sustainability*, no. 9, (2017):2048.  
<https://www.mdpi.com/2071-1050/9/11/2048>



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Droughts are another climate-induced risk that affects India, particularly in the western and central parts. They impact agriculture, livestock, and rural livelihoods, leading to food insecurity and migration. The reduction in rainfall and rise in evaporation rates are exacerbating climate change.<sup>18</sup> India's coastal regions are at high risk of impacts of climate change, including an increase in cyclones, tsunamis, sea-level rise, and storms. These natural events can cause severe damage to infrastructure, natural resources, and homes, particularly in low-lying areas. India has an extensive coastline of over 7,500 km, and more than 70 percent of its population inhabits coastal regions, amplifying its vulnerability to these hazards.<sup>19</sup>

At first, people viewed India's approach to climate action as conflicting with its developmental requirements (i.e., prioritizing climate action over economic growth). In 2009, India undertook a shift in its approach to climate change, recognizing its significant role in achieving the Paris Agreement targets. Its approach is based on the fundamental principle of shared but differentiated responsibilities (CBDR) rooted in equity and justice. After the

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<sup>18</sup> Rita Vasconcellos Oliveira. "Back to the Future: The potential of intergenerational justice for the achievement of the sustainable development goals." *Sustainability*. no. 7, (2018): 427.  
<https://www.mdpi.com/2071-1050/10/2/427>

<sup>19</sup> Siming Yu, Muhammad Safdar Sial, Dang Khoa Tran, Alina Badulescu, Phung Anh Thu, and Mariana Sehleanu. "Adoption and implementation of sustainable development goals (SDGs) in China—Agenda 2030." *Sustainability* 12, no. 15 (2020): 6288. Doi: <https://doi.org/10.3390/su12156288>

UNFCCC period, it has been instrumental in advocating for the priorities of the Global South, particularly in holding developing countries accountable for their historical emissions. It has formed various alliances, such as the G77 and BASIC, to advocate for the position of developing and least developed countries, who are unable to undertake climate action due to their developmental needs. At the international level, it has manifested in the formation of robust multilateral institutions like the International Solar Alliance, Global Biofuel Alliance, and Coalition for Disaster Reduction.<sup>20</sup>

At the domestic level, the National Action Plan on Climate Change (NAPCC) is the policy to prevent climate change and increase the country's preparedness.<sup>21</sup> The NAPCC defines eight missions that focus on climate change mitigation, adaptation, sustainable habitats, efficiency, water, and research and development. This to some extent could be considered as an optimal solution to climate change challenges as the package relies on state-of-the-art technologies. The plan has eight national

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<sup>20</sup> Neha Sami, Chandani Singh, and Amir Bazaz. "Climate Change Policy in India and Goal 13." , (2019).  
<https://iihs.co.in/knowledge-gateway/wp-content/uploads/2017/10/Climate-Cha nge-Policy-in-India-and-Goal-13.pdf>

<sup>21</sup> Shiladitya Chatterjee, Matthew Hammill, Nagesh Kumar, and Swayamsiddha Panda. "Assessing India's Progress in Achieving the Millennium Development Goals: Key Drivers of Inter-state Variations." United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) South and South-West Asia Office. (2015).  
<https://repository.unescap.org/handle/20.500.12870/928>

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missions including the National Solar Mission, National Mission on Sustainable Habitats, National Water Mission, National Mission for Sustainable Himalayan Ecosystems, National Mission for Green India, National Mission for Sustainable Agriculture and National Mission on Strategic Knowledge for Climate Change.

These missions focus on various issues of climate change, such as reducing emissions, water use efficiency, sustainable agriculture, and the advancement of climate change knowledge. The plan recognizes the importance of raising the level of adaptative capacity to climatic risks and impacts with emphasis on sectors and the populace that are highly susceptible to climate change. It also looks into the impossibility of utilizing conventional top-down planning and traditional management approaches in addressing climate change, thus the need to embrace bottom-up planning and community-based measures.<sup>22</sup> The NAPCC is pursuing these frame objectives and strategies in improving adaptive capacity to climate-related hazards and promoting sustainable development. However, more efforts have

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<sup>22</sup> Yonglong Lu, Nebojsa Nakicenovic, Martin Visbeck & Anne-Sophie Stevance. "Policy: Five priorities for the UN Sustainable Development Goals." *Nature*. (2015):432.  
<https://www.nature.com/articles/520432a>

to be tipped in to deal with various impacts of climate change, especially on the most affected groups.<sup>23</sup>

### **III. China's Path to Achieving Water Security and Climate Resilience**

The economic growth in China has raised serious environmental concerns, such as the overexploitation of natural resources. Although the country's GDP has been steadily increasing, the environment has suffered due to the lack of conservation of resources. China has ensured national economic growth three times the global average, with only 60 percent of the world's average per capita water resources.<sup>24</sup> Its economic growth trajectory has put further pressure on water demand. The water withdrawal rate is among the highest in the world. In 2014, the withdrawal rate was 600 BCM per year, which is significantly higher than the 480–490 BCM each year in the United States.<sup>25</sup>

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<sup>23</sup> Bengang Li, Thomas Gasser, Philippe Ciais, et al. "The contribution of China's emissions to global climate forcing." *Nature*.(2016):357-361.  
doi:10.1038/nature17165

<sup>24</sup> "Water Resources In China", Ministry of Water Resources, People's Republic of China., Accessed February 24, 2024  
<http://www.mwr.gov.cn/english/mainsubjects/201604/P020160406508110938538.pdf>.

<sup>25</sup> "Clear Waters and Lush Mountains: The Value of Water in the Construction of China's Ecological Civilization - A Synthesis Report", World Bank and the Development Research Center.  
(2022).[https://www.nlp4dev.org/document/wb\\_099405010132227342](https://www.nlp4dev.org/document/wb_099405010132227342)

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One of the major problems that China faces is water scarcity. China's freshwater resources are 2.8 trillion cubic meters, or 6 percent of the global freshwater. However, China's per capita water resource is 2,100 cubic metres which accounts for 28 percent of the global average, making it one of the world's most water-scarce countries.<sup>26</sup> Furthermore, water resource distribution is uneven, with the south having abundant water resources and the north lacking them. Only about 15 percent of the water resources are available to the population in the northern part of the country, where 44 percent of the population lives.<sup>27</sup>

Another issue in China concerns water pollution. According to 2014 data, WHO monitored river water quality. Water quality results for total river length (2,16,000 km) revealed that 72.8 percent fell in Grade I-III, and the remaining 27.2 percent was in Grade IV or worse.<sup>28</sup> In 2022, the monitoring of 3629 surface water sections in China revealed that around 12 percent of them

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<sup>26</sup> World Bank and the Development Research Center, "Clear Waters and Lush Mountains: The Value of Water in the Construction of China's Ecological Civilization - A Synthesis Report".

<sup>27</sup> Yuxi Wang, Yong Wang, Xuelian Su, Lin Qi, and Min Liu. "Evaluation of the comprehensive carrying capacity of interprovincial water resources in China and the spatial effect." *Journal of Hydrology*, no. 575, (2019): 794–809. <https://doi.org/10.1016/j.jhydrol.2019.05.076>

<sup>28</sup> "Water Resources Management And Protection In China", Ministry of Water Resources, People's Republic of China, Accessed February 24, 2024. <http://www.mwr.gov.cn/english/mainsubjects/201604/P020160406507020464665.pdf>.

failed to meet basic quality standards (Grade I-III).<sup>29</sup> Urban sewage and industrial wastewater discharge, particularly in areas near large cities, are the main causes of this classification, which indicates heavy pollution. Additionally, the water-use efficiency is low, with an irrigation efficiency of only 0.43 and industrial water efficiency of 0.55 in 2000, compared to developed industrial wastewater, particularly in areas near large cities.

Additionally, the water-use efficiency in China is low, with an irrigation water use efficiency of only 0.43 and industrial water use efficiency of 0.55 in 2000, compared to developed countries where the ratios are higher.<sup>30</sup> This gap between water supply and demand in China is expected to widen further with continued development and urbanization. Moreover, most of the rivers in China flow eastward and drain into the coastal marine environment, resulting in poor water quality. This pollution has led to an increase in red tides or harmful algal blooms, covering a total area of about 15,000 square kilometers.<sup>31</sup> Climate change is

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<sup>29</sup> “Report on the State of Ecology and the Environment in China”, Ministry of Ecology and Environment, PRC, Accessed February 25, 2024. <https://english.mee.gov.cn/Resources/Reports/soe/SOEE2019/202312/P020231206607194894058.pdf>

<sup>30</sup> Rongrong Xu, Yongxiang Wu, Gaoxu Wang, Xuan Zhang, Wei Wu, Zan Xu. “Evaluation of industrial water use efficiency considering pollutant discharge in China”. *PLoS ONE*, no.14(8). (2019). <https://doi.org/10.1371/journal.pone.0221363>

<sup>31</sup> Chao Bao and Chuang-lin Fang. “Water Resources Flows Related to Urbanization in China: Challenges and Perspectives for Water Management and Urban Development.” *Water Resources Management*, no.26(2), (2011):531–552. <https://doi.org/10.1007/s11269-011-9930-y>

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likely to exacerbate China's existing water problem. River runoff has declined by 60 percent from 1961 to 2011 in large river basins, mostly in the northern region.<sup>32</sup>

China is the world's largest greenhouse gas emitter and is experiencing the adverse effects of climate change. From 1908–2007, the average temperature rise in China was 1.1 degrees Celsius. Changes in the precipitation have been observed, in turn altering the water security. It has been experiencing extreme weather events, including droughts, floods, and storms, causing economic losses of USD 25-37.5 billion every year. China's coastal regions, known for their economic achievement, are highly vulnerable to storms, floods, and sea-level rise. From 1980 to 2021, sea level rise on China's coasts was 3.4 mm per year, above the global average.<sup>33</sup>

China has signed the Paris Agreement and announced the peak of its carbon emissions by 2030 and simultaneously achieving carbon neutrality by 2060 in response to the impacts.<sup>34</sup>

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<sup>32</sup> Jinxia Wang, Yanrong Li, Jikun Huang, Tingting Yan, Tianhe Sun. "Growing Water Scarcity, Food Security and Government Responses in China." *Global Food Security*. No.14, (2017). <https://doi.org/10.1016/j.gfs.2017.01.003>.

<sup>33</sup> "The Carbon Brief Profile: China." Carbon Brief, Accessed November 29, 2023, <https://interactive.carbonbrief.org/the-carbon-brief-profile-china/#climate-policies-and-laws>

<sup>34</sup> "China's Policies and Actions for Addressing Climate Change." Ministry of Ecology and Environment, Accessed February 25, 2024.

Simultaneously, it is home to half of the world's coal plants and world's fifth-largest oil producer and second-largest oil consumer.<sup>35</sup> It has often faced criticism for its lack of climate action, given its high reliance on fossil fuels and unprecedented economic rise. According to the Climate Change Performance Index 2024, it ranks 51, with a low rating and score of 45.6.<sup>36</sup> The index criticizes China for not updating its NDCs. Its oil and gas production does not meet the 1.5 degrees Celsius target. However, its renewable energy potential is among the highest in the world, and aims at producing 1500 GW of solar energy by 2025.

Since 2000, China's focus has been more on adaptation than mitigation, such as having a strategy for the cities to collect and recycle rainwater and a national strategy for climate adaptation. However, its mitigation strategy is not "terribly ambitious." The company has made significant investments in clean energy, driven not by mitigation goals but by its geopolitical interests in leading the clean energy industry.<sup>37</sup> Domestically, it adheres to an

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<https://english.mee.gov.cn/Resources/Reports/reports/202211/P020221110605466439270.pdf>

<sup>35</sup> "What countries are the top producers and consumers of oil?" U.S. Energy Information Administration. EIA. Accessed February 25, 2024.

<https://www.eia.gov/tools/faqs/faq.php?id=709&t=6>

<sup>36</sup> Climate Change Performance Index (CCPI), <https://ccpi.org/>. Accessed 25 February 2024.

<sup>37</sup> Unpacking China's climate priorities. Brookings. Brookings Institution, 23 August 2023,



environmental strategy: "lucid waters and lush mountains are mountains of gold and silver," also known as the "two mountains theory," as referenced in the 19th National Congress's report, which emphasizes ecological security in its environmental policy.<sup>38</sup>

#### **IV. Comparative Analysis of India and China's SDG Strategies**

China and India's strategies toward the SDGs depend on the different economic growth trajectories that both have undertaken in the past few years to become the fastest-growing economies in the world. Both face challenges and opportunities in meeting the SDGs, but they are instrumental in their success. However, the path to economic growth that India and China have taken is different from each other. China's rapid economic growth stemmed from its manufacturing sector maintaining over 50 percent of the share in the GDP as compared to India, which based its growth on the service sector with over 50 percent share

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<https://www.brookings.edu/articles/unpacking-chinas-climate-priorities/>. Accessed 26 February 2024.

<sup>38</sup> Y ang, Lijing, and Xiaochun Li. "Exploration and Analysis on the way of building green lifestyle." IOP Conference Series: Earth and Environmental Science. Vol. 615. No. 1. IOP Publishing, 2020.

in the GDP.<sup>39</sup> Economic development entails various environmental costs.<sup>40</sup>

The economic growth of India and China has raised various environmental concerns about development at the expense of the environment. But as rapidly growing economies, both water and natural resources are an instrumental asset to their social, economic, and environmental development trajectory. Simultaneously, climate change can cause significant economic costs for both. Heavy reliance on fossil fuels might help both meet their developmental needs in the short term, but it can also delay their transition to clean energy. However, China's manufacturing-driven economy consumes significantly more resources than India's, which is primarily driven by its service sector. China's industrial water usage is 10 times more than that of India's.<sup>41</sup> China's strategic focus on manufacturing as an economic asset has resulted in increased environmental degradation, including air and water pollution, in addition to high emissions. Expansion of the industrial sector has also led to land

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<sup>39</sup> Huang, Y., Chen, C., Su, D., & Wu, S. (2020). Comparison of leading-industrialisation and crossing-industrialisation economic growth patterns in the context of sustainable development: Lessons from China and India. *Sustainable Development*. doi:10.1002/sd.2058

<sup>40</sup> Redclift, M. (2005). Sustainable development (1987–2005): An oxymoron comes of age. *Sustainable Development*, 13(4), 212–227. <https://doi.org/10.1590/S0104-71832006000100004>

<sup>41</sup> Ibid 37.

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degradation, soaring emissions, and pollution.<sup>42</sup> A divergent approach to development has resulted in separate environmental consequences for both. India's service-oriented developmental model is based on lesser environmental costs.

Having different developmental paths, India and China have shown a considerable commitment to SDGs since the United Nations adopted them in 2015. Both countries have embraced the global goals and made substantial efforts to implement them at the national and local levels. India has made significant progress in areas such as forest conservation, renewable energy use, and sanitation. In contrast, China has faced criticism for its high pollution levels but has made efforts to address this, particularly by developing renewable energy and improving air and water quality. Both nations have also developed national indicators to evaluate progress on the SDGs, with India using the National Indicator Framework (NIF) and China making strides to incorporate the SDGs into its national development goals. Both have advocated for equal participation in international policymaking and acknowledgement of "common but differentiated responsibilities" in the fight against climate change. India has embraced a "whole of society" approach to sustainable development, with participation from various stakeholders, while

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<sup>42</sup> Zheng, Siqi; Sun, Cong; Qi, Ye; Kahn, Matthew E. (2014). The Evolving Geography Of China's Industrial Production: Implications For Pollution Dynamics And Urban Quality Of Life. *Journal of Economic Surveys*, 28(4), 709–724. doi:10.1111/joes.12063

the Chinese government has emphasized "innovation-driven," "coordinated," "green," "open," "shared," and "harmonious" development. However, given that the world is at a crucial point in determining the success or failure of SDGs, both countries must overcome various obstacles to drive the success of SDGs while continuing their path to development.<sup>43</sup>

#### **A. India and China's Initiatives to Achieve SDGs**

India and China have taken significant steps to achieve SDGs, both share transboundary waters such as lakes, aquifers, and rivers. Some examples of individual water initiatives that India and China have taken to secure their water and climate resources. India is strengthening its hydrological information system with the introduction of a Hydrological Information System (HIS) and other initiatives aimed at improving data collection and dissemination. Thus, it can be stated that, while moving forward, bureaucracy still hinders the acquisition of hydrological data. Thus, while designing new conservation projects, both the issues regarding transfer and payment have to be resolved with the help of fair agreements. Desalination is currently still a fairly limited way of providing fresh water to water-scarce areas, although the technology has indeed reached a

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<sup>43</sup> Kumar , Krishan , and P K Anand. "Measuring the SDG Progress in India with Focus on Gap Analysis Approach," March 2023.  
<https://www.ris.org.in/sites/default/files/Publication/DP-278-Krishan-Kumar-and-PK-Anand.pdf>.

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certain level of maturity; it is, however, by and large, fossil fuel-based. Thus, to address the climate change issue, sustainable measures need to be addressed from different angles.

A holistic approach, which operates managing climate change at the national level to the reconsideration of water utilization practices in the future climate context, is needed. Enhancing the action plan on climate change is one of the objectives above and will contribute to the achievement of the targets. India initiated the NRCP National River Conservation Plan in the year 1985 as a wholesome plan to prevent or control water pollution from affecting the rivers of this country. The program covers the issues of water sanitation through the treatment of wastewater, solid waste disposal, and industrial control of pollution. The 'Namami Gange' was launched in 2014; this is the government's major program for protecting the river Ganga, which is one of the most polluted rivers in India. They include the building of the STPs, cleaning up of the river bed, and supporting the implementation of appropriate methods of agriculture. Namami Gange is an updated program that started in 2015 as an extension of the Clean Ganga Mission, the primary objective of which is to clean and develop the Ganga river system. It will consist of the provision of treatment and disposal facilities for the sewerage and the construction of related facilities to accommodate the river's developments and tourism promotion.

Prime Minister Narendra Modi gave the following statistics at the COP-28 Summit in 2023: "India is one of the very few global economies to be on the path of achieving the NDC targets." 11 years ago, we were able to accomplish our non-fossil fuel targets that were tied to the intensity of emissions. A non-fossil fuel aim has been accomplished nine years ahead of schedule by our organization. In addition, India has not yet reached this point. By the year 2030, we want to have reduced the intensity of our emissions by forty-five percent. We have collectively come to the conclusion that we will raise the proportion of non-fossil fuel to fifty percent. This demonstrated India's commitment to lowering the intensity of its emissions and making progress towards the goal of reaching net zero by the year 2070.<sup>44</sup>

According to a study the Stockholm Environment Institute, industry is responsible for around 30 percent of the world's carbon dioxide emissions. Consequently, to meet the Paris Agreement targets (limit the increase in global temperature to 2 degrees) major reductions in emissions are required in the industrial sector.

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<sup>44</sup> India at COP-28: Highlights of 28th Conference of Parties, November 12, 2023.  
<https://static.pib.gov.in/WriteReadData/specificdocs/documents/2023/dec/doc20231212285701.pdf>.

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This is in addition to the fact that the majority of decarbonisation initiatives by industries are carried out in the developed nations.<sup>45</sup>

The period from 2016 to 2020 was significant for both China's development ambitions and the global implementation of the UN 2030 Agenda for Sustainable Development.<sup>46</sup> This was a period that was significant for both of these endeavors. During these last five years, China has focused on the implementation of the 2030 Agenda, seeking an end to poverty, safeguard the planet, and guarantee prosperity for everyone. The 13th Five-Year Plan was an essential component of China's efforts to realize these objectives and construct a society that enjoys a level of moderate prosperity across the board.<sup>47</sup>

The Chinese government, under President Xi Jinping, has declared a commitment to support the 2030 Agenda through a people-centered approach. This strategy was defined by using new ideas of integrated, eco-friendly, inclusive, and co-surfaces of development. China realized that for sustainable development, it

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<sup>45</sup> Lee, Hoesung, and José Romero. "Climate Change 2023: Synthesis Report." Intergovernmental Panel on Climate Change, 2023.  
<https://doi.org/10.59327/IPCC/AR6-9789291691647>.

<sup>46</sup> United Nations. (2015, September 25). Transforming Our World: The 2030 Agenda for Sustainable Development. United Nations.  
<https://sdgs.un.org/2030agenda>

<sup>47</sup> United Nations. (2016). China ∴ Sustainable Development Knowledge Platform. Un.org. <https://sustainabledevelopment.un.org/memberstates/china>

was crucial to have an approach that would incorporate political, social, as well as economic, and environmental ecosystems.<sup>48</sup>

To ensure the attainment of the SDGs, China created a coordination structure that consists of 45 government departments. This inter-ministerial mechanism is instrumental for promoting and coordinating the implementation of the SDGs across various government departments and agencies. By integrating SDG implementation into its development plans, such as the 13th Five-Year Plan, China made significant strides toward achieving various SDGs.<sup>49</sup> China has made significant progress on several SDGs, such as poverty reduction, environmental conservation, and technological development.<sup>50</sup> China has also provided support to other countries' sustainable development efforts, encouraged collaboration among Southern nations, and promoted sustainable development through initiatives like the Belt and Road Initiative.<sup>51</sup>

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<sup>48</sup> Sustainable Development Goals, U. N. (n.d.). China's VNR Report on Implementation of the 2030 Agenda for Sustainable Development. [https://sustainabledevelopment.un.org/content/documents/280812021\\_VNR\\_Report\\_China\\_English.pdf](https://sustainabledevelopment.un.org/content/documents/280812021_VNR_Report_China_English.pdf)

<sup>49</sup> Ibid.

<sup>50</sup> United Nations. (2018). United Nations sustainable development agenda. United Nations Sustainable Development; United Nations. <https://www.un.org/sustainabledevelopment/development-agenda-retired/>

<sup>51</sup> OECD. (2018). China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape. In OECD. <https://www.oecd.org/finance/Chinas-Belt-and-Road-Initiative-in-the-global-trade-investment-and-finance-landscape.pdf>



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President Xi stated in 2014 that “addressing climate change and implementation of sustainable development is not what we are asked to do, but what we really want to do and will do well.” In 2017, President Xi announced China would “tak[e] the driving seat in international cooperation to respond to climate change.” The Chinese leadership has no climate doubters with policy influence. In May 2020, National People's Congress, Premier Li Keqiang announced, “We will promote cleaner and more efficient use of coal.” He didn't address coal overcapacity or coal's percentage of primary energy consumption, two government policy goals in recent years.”<sup>52</sup>

China remains committed to implementing SDGs and integrating it into its national development initiatives, including the 14th Five-Year Plan and Vision 2035, despite the setbacks caused by the COVID-19 pandemic. China believes that its sustainable development efforts will have a positive impact on the world.<sup>53</sup> The 2021 Progress Report on China's Implementation of

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<sup>52</sup> Sandalow, David. “China’s Response to Climate Change: A Study in Contrasts and a Policy at a Crossroads,” July 2020. Accessed September 1, 2024.

<https://asiasociety.org/policy-institute/chinas-response-climate-change-study-contrasts-and-policy-crossroads-0#:~:text=In%202014%2C%20President%20Xi%20said,to%20climate%20change.%20There%20are>

<sup>53</sup> Economic and Social Council Economic and Social Commission for Asia and the Pacific Ninth Asia-Pacific Forum on Sustainable Development Bangkok and online, 28-31 March 2022. Retrieved November 19, 2023, from <https://www.unescap.org/sites/default/d8files/event-documents/ESCAP-RFSD2022-2-E.pdf>

the 2030 Agenda for Sustainable Development provides a comprehensive assessment of the country's progress in implementing the 2030 Agenda since 2016.<sup>54</sup> The report, which will be published in 2021, highlights successful examples and experiences that could serve as useful lessons for the international community's post-pandemic recovery and efforts to get the global SDGs implementation process back on track. The report's goal is to share these experiences and cases to support the global implementation of SDGs.<sup>55</sup>

The Chinese government set out the “Ten Rivers, Ten Thousand Miles” Program in 2016 with the target of enhancing the water quality in ten large basins by 2020. It is a program of setting up of sewage treatment plants, and environmental protection has put into practice pollution control measures and the promotion of ecological agriculture, among others. Secondly, to cope with the IDB, China enacted the Water Pollution Prevention and Control Act. Second, in 2015, China introduced another ambitious program known as the Water Pollution Prevention and Control Action Plan. Following the administrative divisions in China, in 2016, China established the River Chief System to

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<sup>54</sup> Anon. (n.d.). China's Progress Report on Implementation of the 2030 Agenda for Sustainable Development (2023) China's Progress Report. Retrieved November 19, 2023, from [https://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/2030kcxzfzyc/202310/P020231018367257234614.pdf](https://www.fmprc.gov.cn/mfa_eng/topics_665678/2030kcxzfzyc/202310/P020231018367257234614.pdf)

<sup>55</sup> United Nations. (2021). The Sustainable Development Goals Report 2021. <https://unstats.un.org/sdgs/report/2021/The-Sustainable-Development-Goals-Report-2021.pdf>

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improve river management and protection. The physical outputs of this system include river chiefs who have the responsibility of managing and regulating the health of the rivers in their area.

One of China's climate initiatives is the National Carbon Trading Plan, which China announced to reduce carbon emissions. China expects this market, one of the world's largest carbon markets, to play a significant role in its efforts to combat climate change. Then, the concept of ecological civilization emphasizes the importance of protecting the environment and promoting sustainable development. This is the guiding principle of China's environmental policies, including its climate change initiatives. These are just a few of the initiatives China has taken to combat water security and climate change. The country has a long road ahead, but these initiatives show determination to solve these important problems.<sup>56</sup>

### **B. Challenges and Opportunities for India and China in SDG Implementation**

Each nation has made an attempt to align its strategies, policies, and planning documents with the SDGs. Numerous groups have begun programs with the intention of including local

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<sup>56</sup> Prater, Hongqiao Liu Simon Evans, Zizhu Zhang, Wanyuan Song, Xiaoying You, Joe Goodman, Tom, and Hongqiao Liu Simon Evans Prater Zizhu Zhang, Wanyuan Song, Xiaoying You, Joe Goodman, Tom. "The Carbon Brief Profile: China." Carbon Brief, November 30, 2023.

<https://interactive.carbonbrief.org/the-carbon-brief-profile-china/>.

government institutions into the process of mainstreaming the Sustainable Development Goals (SDGs). In spite of this, it is vital to conduct a thorough analysis of the linkages between the Goals and the evaluation of the policy interventions that have been undertaken in order to guarantee the successful implementation of the 2030 Agenda. At the regional level, there is a lack of high-quality data that is available for the SDGs that pertain to the social and economic aspects.<sup>57</sup> In accordance with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP, 2019), only 50 of the 199 SDG targets are currently prepared for review of their progress. Indicators account for one-third of the overall number of indicators. The enhancement of data that has been disaggregated remains a significant focus during this discussion. It has been discovered through reviews that sex-disaggregated data are more readily available than other types of disaggregated data; nevertheless, this is only the case for a limited number of indicators.

The vast majority of Asian countries place a substantial amount of importance on the openness and accuracy of their statistical data. Bangladesh, Malaysia, the Lao People's Democratic Republic, the Philippines, and Vietnam are just some of the countries in Southeast and South Asia that have taken part

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<sup>57</sup> Rahman, M., Khan, T. I., & Sadique, Z. (2020). SDG implementation progress: What does the Asian experience reveal? (Occasional Paper Series No. 67). Southern Voice. Retrieved from: <http://southernvoice.org/sdg-implementation-progress-what-does-the-asian-experience-reveal/>

in drills to identify data shortages. Other countries that have participated in these exercises include Vietnam. According to the findings of these gap studies, reaching Sustainable Development Goals 06 and 13 will be an incredibly challenging endeavor. Several Asian nations are already in the process of forming separate committees in order to collect data, coordinate, monitor, and report on the process of achieving the SDGs.<sup>58</sup>

Similarly, both India and China face numerous challenges and opportunities. Through the implementation of many initiatives aimed at enhancing water and sanitation, India has demonstrated its commitment to SDG 6. In 2014, India initiated another initiative to eradicate open defecation and enhance waste management. For instance, the Swachh Bharat Mission draws attention to the significant investments that India has made in the areas of sanitation and clean water. Everyone. By the same token, the Jal Jeevan Mission intends to supply piped water to every rural family by 2024. One of the ways that this strategy reflects India's diverse approach to addressing water and sanitation concerns is by enhancing the promotion of cleanliness.<sup>59</sup>

However, India faces numerous obstacles and challenges as it works towards achieving SDG 6. The root causes of major

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<sup>58</sup> Ibid.

<sup>59</sup> Biswas, S., Dandapat, B., Alam, A. et al. India's achievement towards sustainable Development Goal 6 (Ensure availability and sustainable management of water and sanitation for all) in the 2030 Agenda. BMC Public Health 22, 2142 (2022). <https://doi.org/10.1186/s12889-022-14316-0>

problems, such as inequality in financing and differences between areas, lead to a shortage of fundamental services. One of the problems that water utilities face is not only the battle to produce enough money to pay their operating and maintenance costs, but also the challenge of ensuring their financial security. In addition, the international nature of water resources not only creates financial and organizational challenges but also presents difficulties such as political insufficiency and corruption, which further hinder the utilization of these resources.

India has made tremendous progress in climate SDG 13, including the ratification of the Paris Agreement and the approval of the National Climate Change Action Plan. All of these accomplishments are to be commended. It is a reflection of India's climate issue that the country is making attempts to minimize its energy consumption as a percentage of its GDP, as well as its commitment to measures regarding climate change and renewable energy.

But the difficulties are still very significant. The vast population and quick economic growth of India have a tremendous impact on the environment. India is the third-greatest emitter of carbon dioxide, as well as the highest emitter of greenhouse gases. Several factors have contributed to the situation, including the nation's reliance on coal as a source of energy and its susceptibility to the consequences of climate change, such as abnormally severe weather. However, India's commitment to

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lowering emissions of greenhouse gases and investments in renewable energy present major potential for the country's long-term sustainability and security.

However, China faces numerous challenges and opportunities as it implements SDGs 6 and 13. Uncertainty and financial inequality across the region drive financial inequality, one of the most significant challenges for Sustainable Development Goal 6 (SDG 6). Additionally, the cost of sanitation has increased by a factor of three, despite the fact that countries require approximately USD 28.4 billion annually to guarantee universal access to water, sanitation, and hygiene (WaSH). There is still a significant amount of financial inequality, particularly in countries in the Southern World, including certain regions of China, although development banks and other forms of development aid provide financial support. This deficiency leads to inequality and poor health outcomes.

The concentration of a disproportionate amount of income in urban areas financially disadvantages people living in rural areas. In addition, water companies are having trouble generating sufficient revenue to cover their operating and maintenance expenses, which presents another challenge to their ongoing financial sustainability. Theft, physical loss, and the fact that water bodies become unprofitable as a result of inaccurate

metering are all factors that further exacerbate the problems associated with financial sustainability.

Through the UN Sustainable Development Cooperation Framework, China is working together with the United Nations to reduce the amount of time it takes to accomplish its goals. The United Nations Specially Designated Crisis Fund (UNSDCF) 2021-2025 will support China's needs, capabilities, comparative advantage, and intelligence in addressing these challenges. This collaboration is aligned with China's strategic development vision and the SDGs. It focuses on the three most important areas of people's well-being: globalization and cooperation. It demonstrates the two parties' willingness to work together to find solutions to water and sanitation issues. This represents a significant portion of the development objectives.<sup>60</sup>

In the context of Development Goal 13, China's national plan to implement the Development Goals includes the incorporation of National Development Cooperation (NDC) into national strategies and the utilization of climate change as a means of adapting to a new development model to promote environmental protection. This plan urges developing countries to persuade the

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<sup>60</sup> Evaristo, J., Jameel, Y., Tortajada, C. et al. Water woes: the institutional challenges in achieving SDG 6. *Sustain Earth Reviews* 6, 13 (2023). <https://doi.org/10.1186/s42055-023-00067-2>



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international community to pledge USD 100 billion annually for code design by 2020, in order to address their climate needs.<sup>61</sup>

Through the adoption of this strategy, China is demonstrating its dedication to climate action and its willingness to participate in international collaboration to accomplish global climate goals.<sup>62</sup> Significant challenges confront China's efforts to finance and provide clean water and sanitation; however, the country's cooperation with the United Nations and international security projects demonstrate its determination to overcome these challenges. The Chinese government is committed to accomplishing SDGs Goals 6 and 13, while also making a significant contribution to the global response to water scarcity and climate change. International cooperation and investment plans in both urban and rural areas will accomplish this commitment.

### V. Conclusion

India and China, as a result, encounter a unique set of challenges when it comes to preserving natural resources. These challenges remain even as the geopolitical and geoeconomic landscapes shift significantly. Both countries are actively working to address the SDGs, despite their combined population

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<sup>61</sup> Ibid.

<sup>62</sup> United Nations China . "SDG 13 Climate Action ," 2024.  
<https://china.un.org/en/sdgs/13>.

accounting for over one-third of the global population. Their efforts include reducing emissions of low-level greenhouse gases and transitioning to renewable energy sources.<sup>63</sup> However, India and China need to collaborate on water and climate action plans rather than compete with each other.

This paper examined India and China's implementation and achievements in the United Nations' SDGs, emphasizing their significant roles as global actors. Further, it provides an understanding of the necessity of the formation of national policies and gaining credible energy profiles from international players. Finally, this paper points to the significance of future cooperation between India and China in addressing environmental issues with a view to realizing sustainable development.<sup>64</sup> The analysis of SDG implementation and achievements in India and China leads to the following recommendations for future actions and improvements:

*Strengthen cooperation:* India and China should continue with their partnership and do everything possible to attain the common SDGs, such as those found in renewable energy climate change, among others that focus on the conservation of

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<sup>63</sup> China, India, and the Emerging Global Order. (2013).

[https://carnegieendowment.org/files/crux\\_of\\_asia.pdf](https://carnegieendowment.org/files/crux_of_asia.pdf)

<sup>64</sup> Chopra, M., Singh, Dr. S. K., Gupta, A., Aggarwal, K., Gupta, B., & Colace, F. (2022). Analysis & Prognosis of Sustainable Development Goals using Big Data-based Approach during COVID-19 Pandemic. Sustainable Technology and Entrepreneurship, 1(2), 100012. <https://doi.org/10.1016/j.stae.2022.100012>

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biodiversity. Strategic collaborations may be created for the purpose of building a broader partnership with the goal of knowledge and resource sharing and learning from one another the optimal practices to employ.<sup>65</sup>

*Enhance policy implementation:* The two entities should work especially hard on the measures that would ensure that their policies and regulations embrace methods aimed at cutting greenhouse emissions and encouraging sustainable development. This includes creating and applying accurate monitors and evaluations to ascertain the efficiency and effectiveness of the policies formulated toward achieving the intended goals and objectives.<sup>66</sup>

*Increase public awareness and participation:* SDG awareness must reach the general populace, and citizens must be involved in achieving the goals. The governments of various countries can work hand in hand with civil society organizations, the private sector, and the media to ensure that sustainable practices are observed and to pass information concerning the

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<sup>65</sup> Goodale, E., Mammides, C., Mtemi, W., Chen, Y.-F., Barthakur, R., Goodale, U. M., Jiang, A., Liu, J., Malhotra, S., Meegaskumbura, M., Pandit, M. K., Qiu, G., Xu, J., Cao, K.-F., & Bawa, K. S. (2021). Increasing collaboration between China and India in the environmental sciences to foster global sustainability. *Ambio*, 51(6), 1474–1484. <https://doi.org/10.1007/s13280-021-01681-0>

<sup>66</sup> Policies to Reduce Greenhouse Gas Emissions in Industry - Successful Approaches and Lessons Learned: Workshop Report. (1997). <https://www.oecd.org/env/cc/2956442.pdf>

conservation of the environment and sustainable development to society.<sup>67</sup>

*Foster innovation:* To accomplish the set objectives of the SDGs, innovation has been deemed central in the process. China and India should commit to enhancing research and development in technologies within sectors of water and climate to find sustainable solutions to cut down on carbon emissions.

*Address regional disparities:* India and China are two large countries where the economic development and environmental settings vary greatly from one region to another. It is crucial to try to redress these disparities so that the benefits of sustainable development are made available to all areas.<sup>68</sup>

Therefore, let it be recognized that realizing the goals in India and China will be possible through constant efforts, dedication and partnership. The Ones listed above are recommendations that, if adopted by both countries, will go a long way toward ensuring a sustainable and resilient future for its population. India and China have also progressed much overall on the targets of the SDGs that have to do with environmental

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<sup>67</sup> United Nations. (2022). Global Partnerships - United Nations Sustainable Development. United Nations Sustainable Development.  
<https://www.un.org/sustainabledevelopment/globalpartnerships/>

<sup>68</sup> Department For International Development. (2008). Economic growth: the impact on poverty reduction, inequality, human development and jobs.  
<https://www.oecd.org/derec/unitedkingdom/40700982.pdf>

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conservation.<sup>69</sup> While both countries have embarked on measures aimed at decreasing the level of their dependency on fossil energy and increasing the utilization of renewable sources of energy, there is still room for progression. Since targeting the success of the SDGs, the initiatives of the international community should support these programs and encourage the enhancement of cooperation between India and China. Besides, each nation has to strengthen its internal policy coordination to enhance methods of sustainable development. Analyzing India and China's approach toward the resolution of various environmental problems can serve as an example for other countries and is critical for attaining sustainable growth.<sup>70</sup>

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<sup>69</sup> Niti Ayog. (2019). Localising SDGs.

[https://www.niti.gov.in/sites/default/files/2020-07/LSDGs\\_July\\_8\\_Web.pdf](https://www.niti.gov.in/sites/default/files/2020-07/LSDGs_July_8_Web.pdf)

<sup>70</sup> Sridhar, K. (2023). The role of renewable energy in achieving sustainable development goals. WION.

<https://www.wionews.com/opinions-blogs/the-role-of-renewable-energy-in-achieving-sustainable-development-goals-633794>

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**A Historic- Legalistic - Institutional Analysis of  
the US-Japanese Military Relations**

**Chihiro Shiraishi \***

**Abstract**

*In international relations one rarely sees a sovereign state's military so integrated by another sovereign state as in the Japan-US dyad after the Second World War. Britain, for example, did control India's military once, but India was part of the British empire then.*

*This article elaborates the legal mechanism with which the United States integrates Japanese military apparatus. The mechanism's origin, formation and evolution are analyzed. The analysis is divided into three phases: first, from 1941 to 1951; second, from 1951 to 1960; thirdly, from 1960 onward. The article will also address how this integration might impact the geopolitical situation in East Asia.*

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**Keywords:** Japanese Defense, US-Japan Security Relations,  
Japanese Security Legal System

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### I. Introduction

It is commonly regarded that Japan has regained its independence in 1951 at the signing of San Francisco Peace Treaty and that the US-Japan security alliance is founded on the relation of two sovereign nations. However, a closer look reveals that the US military continue to enjoy the occupation-era privileges even 73 years after Japan's independence.

This present article will take a historic-legalistic-institutionalist approach to examine how laws, rules, regulations, and governmental institutions, particularly those related to defense, have evolved over time and how they have shaped Japan's defense policy and behaviors. The use of the institutionalist approach is advanced by figures such as Robert O. Keohane, Lisa L. Martin,<sup>1</sup> Kenneth R. Mayer, Anne M. Khademian, among many others.<sup>2</sup> The approach focuses on the historical context of institutional design and the evolving of laws, rules, and regulations as the foundation of institutions, hence the historic-legalistic-institutionalist approach.

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<sup>1</sup> Keohane, Robert O., and Lisa L. Martin. "The Promise of Institutional Theory." *International Security* 20, no. 1 (1995): 39-51.  
<https://muse.jhu.edu/article/447387>.

<sup>2</sup> Mayer, Kenneth R., and Anne M. Khademian. "Bringing Politics Back in: Defense Policy and the Theoretical Study of Institutions and Processes." *Public Administration Review* 56, no. 2 (1996): 180-90.  
<https://doi.org/10.2307/977206>.

The evolution of the legal framework of the Security Treaty is marked by the progressive institutionalization of the US command of Japanese armed forces as well as the production of countless secret agreements in the Japan-U.S. Joint Committee and the Japan-U.S. Security Consultative Committee (SCC). Much of the institutional development and secret agreements in the U.S.-Japanese military relations have escaped public attention, thus lacking public accountability.

This article attempts to probe the institutional embeddedness of U.S.-Japan military relations in a legal history starting from the 1941 Atlantic Charter. The problematics of this probe is how the United States obtained and maintained significant political and military clout over Japan and how the American clout has evolved.

Figure 1 serves as the basic outline of this article. It summarizes the three layers of Japanese security structure in three different periods. The Grand Layer is the major principles dictating the security arrangement of Japan. The Intermediate Layer is specific rules and regulations of particular fields derived from these principles. The Operational Layer is the working groups which resolve specific issues.

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	1941-1951	1951-1960	Post-1960	
Grand Layer  (Justification for stationing)	Atlantic Charter  UN Charter	Security Treaty Between the United States and Japan  Original Security Treaty (OST)	Treaty of Mutual Cooperation and Security between Japan and the United States of America  Revised Security Treaty (RST)	
Intermediate Layer  (Rights & Privileges)	Japanese Constitution  San Francisco Peace Treaty	The Administrative Agreement	U.S. - Japan Status of Forces Agreement (SOFA)	
Operational Layer	Preliminary Working Group	US-Japan Joint Committee	US-Japan Joint Committee	US-Japan Security Consultative Committee, (SCC)

Source: from the author

Figure 1. Three Layers of Security Treaty

For example, the original Security Treaty (at the Grand Layer) enunciates major principles; the Administrative Agreement (at the Intermediate Layer) complements the Security Treaty by providing many detailed rules regarding these principles. And the the Japan-U.S. Joint Committee (at the Operational Layer) deals with discrepancies between U.S. rights and Japanese laws by creating new secret agreements. The Administrative Agreement is the extension of the original Security Treaty, and all these must be regarded as one integral whole.

Similarly, the revised New Security Treaty (at the Grand Layer) enunciates major principles; and the Status of Forces Agreement (SOFA, at the Intermediate Layer) elaborates these

principles into detailed rules. The SOFA is the extension of the New Security Treaty, and together with the operational branches of the Japan-U.S. Joint Committee and the Japan-U.S. Security Consultative Committee (SCC), they must be regarded as one integral whole.

Elaborations follow.

## **II. 1941-1951: The War and the Occupation**

In this section, the origin of Japan's defense structure will be examined. Japanese postwar defense apparatus was created by the United States during the occupation. But the basic ideas of the apparatus were conceived earlier. The United States used the Atlantic Charter (August, 1941) and the United Nations Charter (June, 1945) as the legal foundation for its endeavors in shaping Japanese military apparatus. In the following analysis, I will trace the origin of Japanese security legal system back to the inception of the Atlantic Charter and the subsequent UN Charter. The analysis will first describe the evolution of ideas in these two charters. Then it will specify how they have shaped the Japanese Constitution and the US conception of postwar Japanese defense system, which later led to the San Francisco Peace Treaty and the US-Japan Security Treaty.



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**American Ideas and Japanese Defense Structure. Ideas matter.** They matter in American trade policy;<sup>3</sup> they matter in American general foreign policy;<sup>4</sup> and they also matter in international relations.<sup>5</sup> So happens to ideas in American policy toward Japan after the war. In August 1941, the basic framework of the “post-World War II world” was spelled out in the US-UK Joint Declaration, commonly known as the Atlantic Charter. The principles of the Atlantic Charter would later become the UN Charter and the basis for the post-war international order. Japan’s international status as defined in the UN Charter and Japan’s Constitution can be traced back to the Atlantic Charter.

Paragraph six in the Atlantic Charter is used almost verbatim in the preamble of the Japanese Constitution.

The Atlantic Charter reads, “*Sixth, [...] they [Franklin Roosevelt and Winston Churchill] hope to see established a **peace** [...] which will afford assurance that **all the men in all lands may live out their lives in freedom from fear and want,***” (Emphasis by the author)

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<sup>3</sup> Judith Goldstein, “Ideas, institutions, and American trade policy,” *International Organization* 42, no. 1 (1988): doi:10.1017/s0020818300007177.

<sup>4</sup> Judith Goldstein and Robert O. Keohane, eds., *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change* (Ithaca: Cornell University Press, 1993).

<sup>5</sup> Michael C. Williams, “Why Ideas Matter in International Relations: Hans Morgenthau, Classical Realism, and the Moral Construction of Power Politics,” *International Organization* 58, no. 04 (October 2004): doi:10.1017/s0020818304040202.

The Preamble of Japanese Constitution reads, “*We [the Japanese people] recognize that **all peoples of the world have the right to live in peace, free from fear and want.***” (Emphasis by the author)

Furthermore, the spirit of Paragraph eight of the Atlantic Charter is transcribed into the preamble and Article 9 of Japanese Constitution.

The Atlantic Charter reads, “*Eighth, they believe that **all of the nations of the world, [...] must come to the abandonment of the use of force. Since no future peace can be maintained if land, sea or air armaments continue to be employed by nations which threaten, or may threaten, aggression outside of their frontiers, they believe, pending the establishment of a wider and permanent system of general security, that the disarmament of such nations is essential.** They will likewise aid and encourage all other practicable measure which will lighten for **peace-loving peoples** the crushing burden of armaments.*” (Emphasis by the author)

The idea presented here is that all nations should abandon the use of force. The nations which threaten peace (i.e. Axis Powers) should be disarmed of their land, sea or air forces, pending the establishment of a wider and permanent system of general security (i.e. the United Nations) so that the burden of armaments of peace-loving people (i.e. Allied Powers) will be

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lightened. Below, Japanese Constitution stipulates that Japan entrusts its security to “the justice and faith” of the peace-loving peoples (Allied Powers), and that Japan (Axis Power) will not maintain land, sea, and air forces and renounces the use of force and the right of belligerency.

The Preamble of Japanese Constitution reads, “*We, the Japanese people, desire peace for all time [...], and **we have determined to preserve our security and existence, trusting in the justice and faith of the peace-loving peoples of the world.***” (Emphasis by the author)

Furthermore, Article 9 of the above constitution states, “*Aspiring sincerely to an international peace based on justice and order, **the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.***” (Emphasis by the author)

The Anglo-American-led international order envisioned in the Atlantic Charter was realized through the UN Charter and the creation of the United Nations Organizations.<sup>6</sup> The UN Charter is

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<sup>6</sup> Yabe, “*US Military Bases*” and “*Nuclear Power Plants*,” 65%-66%.

the backbone of the postwar Anglo-American international order, on which Japanese defense framework was built upon. Therefore, it is worthy of a closer examination of the Charter in order to understand the restrictions placed on Japanese defense capabilities.

First of all, the UN Charter prevails over all other international laws.

Article 103: *In the event of a conflict between the obligations of the Members of the United Nations under the present Charter and their obligations under any other international agreement, **their obligations under the present Charter shall prevail.*** (Emphasis by the author)

In particular, this “*obligation*” which shall take precedence over all other international law requires member states to provide the Security Council with “*armed forces, assistance, and facilities, including rights of passage*” (Article 43) in order to create a UN Standing Force at disposal of and under the command of the UN Security Council.

Article 43 (1): *All Members of the United Nations, in order to contribute to the maintenance of international peace and security, **undertake to make available to the Security Council, on its call and in accordance with a special agreement or agreements, armed forces,***

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*assistance, and facilities, including rights of passage, necessary for the purpose of maintaining international peace and security.* (Emphasis by the author)

In other words, Japan is required to prioritize its UN obligation above all its international treaties to provide “*armed forces*” (the Self-Defense Forces), “*assistance*” (logistics and financing), “*facilities*” (military bases) and “*rights of passage*” (free entry and exist of its territorial land, water and airspace, including for the purpose of armed attack on other states) to the Security Council “*in accordance with a special agreement*” (Japan-U.S. Security Treaty, which will be elaborated later in this article.)

Moreover, Article 106 of the UN Charter stipulates the permanent members of the Security Council shall act on behalf of the United Nations until a UN Standing Force is created. As the UN Armed Force was never created, the permanent members of the Security Council continue to possess the right to represent the United Nations and employ armed forces on behalf of the United Nations.

As stated in Article 2 of the UN Charter, its member-states, including Japan, must assist the UN.

Article 2 (5) of the UN Charter: *All Members shall give the United Nations every assistance in any action it takes in accordance with the present Charter, [...]*

The United Nations is represented by the Security Council members such as the United States, and Japan is required by the UN Charter to assist the United States in any action it takes through its “*special agreement*.” Such is the historical context of Japan-U.S. Security Treaty.

These articles are the basis of Japan’s provision, in later years, of military assistance to the United States, including the American use of military bases in Japan, its unrestricted use of Japanese land, territorial water and airspace, Japan’s financial “burden-sharing” of US military expenditure, and the disposition of Japanese Self-Defense Forces under US command.

Another major characteristic of the UN Charter is the “Enemy Clauses”: Articles 53, 77 and 107, which defined the postwar treatment of the Axis Powers. The United Nations being originally a group of the victorious nations of World War II, the “Enemy Clauses” are intended to deprive the Axis powers of their “right of

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belligerency”.<sup>7</sup> It is the right of a state to engage in war for offensive or defensive purpose.

Article 53 allows UN member-states to attack Germany and Japan anytime without UN Security Council authorization if the member-states deem these two states show any sign of aggression. However, it is very difficult to determine which act is an aggression and which is an act of self-defense. (For example, a state may use arms for defensive purposes, but other states may interpret it as an aggression.) Therefore, Article 53 essentially prohibits Germany and Japan from using arms and exercising their right of belligerency. However, Germany’s membership in NATO allows it to exercise its right of belligerency through NATO’s collective-defense pact, making Japan the only state in the world that legally does not possess its sovereign right of belligerency.<sup>8</sup>

Article 77 regards the UN trusteeship, whereby a state (in this case, the United States), under a UN trusteeship, governs a non-independent territory of a former enemy state (Okinawa). Article 77 stipulates “*The trusteeship system shall apply to [...]territories which may be detached from enemy states as a result of the Second World War.*”

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<sup>7</sup> Hideto Tomabechi 苫米地英人, *Shinsetsu kokubō-ron* 真説・国防論 [The True Theory of National Defense] Tokyo: TAC Publishing, (2019), Kindle: 46/2408.

<sup>8</sup> Hideto Tomabechi 苫米地英人 and Iron Fujisue, *Koko ga okashī anpo hōsei* ここがおかしい安保法制 [This is What's Wrong with the Security Legislation] Tokyo: Cyzo inc., (2016): 97-98.

Article 3 of the San Francisco Peace Treaty stipulates that the United States possesses the right to exercise the executive, legislative and judicial powers over Okinawa until the United States, at its discretion, decides to apply for Okinawa's trusteeship to the United Nations. Since the United States never applied for Okinawa's U.N. trusteeship, the terms of trusteeship specified in the UN Charter never applied to Okinawa, including the respect for the Human Rights and national self-determination of Okinawa's citizens. Okinawa was kept under the direct US military rule without UN supervision until Okinawa's return to Japan in 1971. Thus, Article 77 provided the United States with the pretext of ruling a territory without application of the international law.

Article 107 silenced any criticisms against the United States concerning its treatment of Okinawa. It stipulates that the UN Charter does not apply to postwar settlements with Axis Powers, hence giving the United States the immunity from international law and a free-hand over Okinawa.<sup>9</sup> The article further deprived Japan of its rights and privileges recognized under the UN Charter to sovereign states with regard to its postwar settlements, placing Japan on significantly inferior position when negotiating its postwar settlements with the United States. These "Enemy Clauses" were written by U.S. Senator Arthur H. Vandenberg, whose advisor was John Foster Dulles. Vandenberg stated that the main purpose of the Enemy Clauses is the permanent and effective

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<sup>9</sup> Yabe, "US Military Bases" and "Nuclear Power Plants," 72-73%.



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demilitarization of Germany and Japan and the preservation of strategic influence over those two countries.<sup>10</sup>

Between February 4 and 12, 1946, in mere nine days, the US military representing the Allied Powers wrote the Japanese Constitution. According to the book *Political Reorientation of Japan: September 1945 to September 1948* published by the Government Section, Supreme Commander for the Allied Powers, the United States representing “the General Headquarters, Supreme Commander for the Allied Powers” (GHQ-SCAP) drafted the Constitution of Japan. Twenty-five U.S. Army servicemen, led by Colonel Charles Louis Kades, Deputy Chief of GHQ-SCAP Government Section, were tasked with drafting Japanese constitution.

What is important to note here is that the UN Standing Force concept, the core of the world government concept, was still much alive in February 1946, when the US occupational force wrote the draft Japanese constitution. Earlier, on February 1, 1946, the Chiefs of Staff of the five permanent members of the Security Council gathered in London to begin concrete discussions on a regular UN force, as specified in the UN Charter, where each country would provide its own troops which the Security Council would centrally utilize.

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<sup>10</sup> Yabe, “US Military Bases” and “Nuclear Power Plants,” 90%.

Based on the principle of "unarmed neutrality," in February 1946, Japanese Constitution was written on the premise that a "UN Standing Force" would be created. Article 9 renounced all military power and the right of belligerency.

**Article 9.** *Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.*

*In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.*<sup>11</sup>

Kades, who wrote Article 9 at his own initiative, stated that the main purpose was "to leave Japan permanently disarmed." Historian John Dower states that in MacArthur's vision, Japan's 'unarmed neutrality' was to be protected by the deployment of UN forces on major islands in the Pacific, including Okinawa. MacArthur believed that the deployment of nuclear weapons and a powerful air force in Okinawa could destroy without fail any enemy forces on the Asian coast from Vladivostok to Singapore.

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<sup>11</sup> "The Constitution of Japan," Prime Minister's Office of Japan, accessed March 6, 2025, [https://japan.kantei.go.jp/constitution\\_and\\_government\\_of\\_japan/constitution\\_e.html](https://japan.kantei.go.jp/constitution_and_government_of_japan/constitution_e.html).

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Therefore, it would be possible to guarantee Japan's security without placing troops on Japanese soil.<sup>12</sup>

On February 13, 1946, GHQ-SCAP handed the draft constitution to the Japanese government and demanded that their constitution be amended in accordance with the draft. Hardly two months before GHQ-SCAP wrote the draft constitution, on December 18, 1945, 381 out of the 466 members of the House of Representatives, or 82% of the total, had been deemed “unfit” by GHQ-SCAP and had been expelled from public office. They could not run in the general election held in April 1946 to elect members of the 90th Imperial Diet, which was to deliberate on constitutional revision.<sup>13</sup> This was a deliberate measure taken by MacArthur to prevent the old regime from remaining in power in the Diet.

Article 9 of the Japanese Constitution renouncing war and armed forces and the UN Charter “Enemy Clauses” (Articles 53, 77, and 107) work conjointly to permanently demilitarize Japan and deprive Japan of the its right of belligerency. As the United States drafted both the Japanese Constitution and the major components of the UN Charter, one can regard that these two sets of laws are complementary pieces that constitute the postwar US

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<sup>12</sup> John W. Dower, *Japan in War and Peace: Selected Essays* (The New Press, 1995).

<sup>13</sup> Hiroshi 増田弘 Masuda, *Kōshoku tsuihō-ron* 公職追放論 [The Purge of Public Officials] Tokyo: Iwanami Shoten, (1998), cited in: Yabe, "US Military Bases" and "Nuclear Power Plants", 179.

international order. In other words, even if Japan changes its interpretation of the constitution or amends the constitution, the Enemy Clauses of the UN Charter will still prevent Japan from becoming a fully sovereign state internationally because the UN Charter prevails above all other international law (Article 103 of the UN Charter). Thus, Japan remains semi-sovereign state as long as Japan remain a member of the United Nations.<sup>14</sup> However, Japan is obliged to stay a UN member because San Francisco Peace Treaty required Japan to join the United Nations as a condition to regain its autonomy. (Let us recall that San Francisco Peace Treaty was also written by the United States.)

In the *Memorandum by the Consultant to the Secretary (Dulles)* dated June 30, 1950,<sup>15</sup> Dulles recounts his meeting with MacArthur held on June 22, 1950, in which he advised MacArthur to use Articles 43 and 106 of the UN Charter to justify US military presence in Japan after the latter's independence.

As mentioned earlier, Article 43 of the UN Charter is the article about a "regular UN force" that never came to fruition. The article states that all UN member states are required to conclude

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<sup>14</sup> Hideto Tomabechi 苫米地英人, *Nihonjin dake ga shiranai sensō-ron* 日本人だけが知らない戦争論 [Theories of War that Only Japanese People Don't Know] Tokyo: Forest Publishing Co., (2015), Kindle: 79/2117.

<sup>15</sup> *Memorandum by the Consultant to the Secretary (Dulles), June 30, 1950, Foreign Relations of the United States, 1950, East Asia and the Pacific, Volume VI, pp.1229-1230*, (Washington, D.C.: United States Department of State, 1950), [https://history.state.gov/historicaldocuments/frus1950v06/pg\\_1229](https://history.state.gov/historicaldocuments/frus1950v06/pg_1229).

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their own “special agreements” with the UN Security Council to provide the latter with bases and other military assistance. Article 106, on the other hand, is an “interim clause” that allows the five permanent members of the Security Council to conduct necessary military operations on behalf of the UN until such a UN force is actually established. This clause was originally written into the UN Charter as a transitional provision that would be in effect until UN forces were founded, but later, when no UN force was established, it still remained in place. Dulles, a high-power lawyer himself and the primary architect of San Francisco Peace Treaty, suggested to MacArthur that these two clauses be interpreted in combination to legally allow U.S. troops to remain in Japan after the occupation ended. In other words, Dulles told MacArthur that it was legal under international law for Japan to conclude a "Security Treaty in place of the UN Special Agreement" with the "United States, the representative of the UN," and to provide "US military bases in place of UN military bases.” MacArthur fully agreed to the proposal.

As a result, the basic configuration of the Japan-U.S. Security Treaty was coming into shape, in which "U.S. forces in lieu of UN forces" would be stationed throughout Japan without any restriction or control by the Japanese government. This legal maneuver of "the U.S. = the UN" and "U.S. forces = UN forces" is at the root of the current highly abnormal patron-client relationship between the United States and Japan. Furthermore, this mechanism

has been used to justify the U.S. presence in Japan as a substitute for the UN forces. Japan has been subservient to the United States since this moment.

On June 25, 1950, the Korean War broke out. The war virtually eliminated the possibility of U.S. withdrawal from Japan. Japan therefore did not have any option other than to accept U.S. military presence in Japan even if Japan were to pursue a policy of early independence. The diplomatic maneuvers by the United States in the U.N. closed all the escape routes of Japan towards true independence. The American maneuvers are as follows.

With the outbreak of the Korean War, an irregular U.N. force was established in Korea, since no UN Standing Force existed under Article 43. The United States was granted "unified command" and "use of the UN flag" in this irregular "UN Force" in which US forces comprised over 90% of forces.

On the evening of June 26, 1950, Truman ordered MacArthur to mobilize air and naval forces on the Korean Peninsula based on Security Council Resolution 82; on July 8, 1950, Truman appointed MacArthur to command the "United Nations Forces in Korea" following Security Council Resolution 84 of the previous day.

Thus, Dulles's ingenious legal mechanism which binds Japan into the regime of U.S. military occupation and the provision of

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war assistance saw its first test in the Korean War. Indeed, during the Korean War the US-Japan patron-client relationship functioned so well that no one could really question the validity and sustainability of the legal mechanism on which US-Japan relationship was based. And this regime is still in place for more than seventy years thereafter. Japan is, therefore, trapped in a “Korean War regime” which will continue as long as the Koreans do not conclude a peace treaty to end the war (technically, the two Koreas are still at war).

**The Coming about of Japanese Defense Forces.** At the time, MacArthur made a decision to completely reverse his initial policy of demilitarizing Japan. On June 26, 1950, by letter to Prime Minister Shigeru Yoshida (吉田茂), he ordered the creation of a 75,000-strong Police Reserve Corps and an increase of Coast Guard personnel by 8,000 in order to fill the void left by the U.S. troops, almost all of which had been deployed to Korea. With Japan still under U.S. occupation, its government complied, and de facto armed forces were created.

The Police Reserve was camouflaged as a "police force," but it was in fact an army, which would later be transformed into the Self-Defense Forces. Moreover, it was an American creation. Namely, Colonel Frank Kowalski, Chief of Staff of the Military Advisory Assistance Group in Tokyo, was responsible for the

creation of Japan's National Police Reserve Corps.<sup>16</sup> Kowalski states in his book *An Inoffensive Rearmament: The Making of the Postwar Japanese Army*,

*During the months that the inductees were being processed and moved into camps, all planning and operational tasks had to be performed by Americans. For all practical purposes, the NPR became our creation and our creature.*<sup>17</sup>

*[T]here were compelling reasons favoring the establishment of a new Japanese force organized on the American pattern. [...] As these would be of American design, the combat, supply, and maintenance units of the new forces would have to be organized in a way similar to American Army units. Furthermore and most significant, in the event of joint U.S.-Japanese military operations, the advantages of having two forces identically organized and similarly equipped were obvious. The two command and staff structures, communications systems and procedures, and logistical systems could be integrated and superimposed one upon the other with minimum*

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<sup>16</sup> Frank Kowalski, *An Inoffensive Rearmament: The Making of the Postwar Japanese Army* (Annapolis, Maryland: Naval Institute Press, 2013).

<sup>17</sup> Kowalski, *An Inoffensive Rearmament*, 81.



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*disarrangement. This obviously was an overriding consideration. The NPR became a little American Army.*<sup>18</sup>

In other words, the U.S. military created the Japanese Self-Defense Forces in its own image. The Japanese Defense forces was designed to conduct joint operations with the U.S. armed forces, hence under full American control. As these events occurred during the occupation period, one could conclude that Japan's military as a junior partner to its American counterpart was already underway during the occupation.

On September 8, 1950, in preparation for the signing of the San Francisco Peace Treaty and a security treaty with Japan, President Truman authorized Dulles to officially launch negotiations between the United States and Japan for Japanese independence. As a basic principle, Truman formally decided that "the United States shall acquire the right to have as many troops as it needed, for as long as it needed them, anywhere in Japan." In other words, the United States set as major precondition for Japan's independence the continued US military occupation of Japan.<sup>19</sup> On January 26, 1951, at the meeting with American staff the day after his arrival in Japan, Dulles declared, "*The primary*

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<sup>18</sup> Kowalski, *An Inoffensive Rearmament*, 93

<sup>19</sup> Kouji Yabe 矢部宏治, *Nihon wa naze, 'sensō ga dekiru kuni' ni natta no ka* 日本はなぜ、「戦争ができる国」になったのか [How Did Japan Become a Country Capable of Waging a War?] Tokyo: Koudansha, (2019), Kindle: 1234/3938.

*purpose of this treaty is to secure for us the right to station as many troops as we desire, where we desire, for as long as we desire.*"<sup>20</sup>

On February 3, 1951, according to a document entitled "On the Institution of Re-Armament," Yoshida proposed to create a joint committee (later became the Japan-U.S. Joint Committee) to discuss behind closed doors "command authority issues," including the unified command authority of the United States during wartime, Japanese rearmament and U.S. military base issues.<sup>21</sup>

The founders of the Self-Defense Forces will participate in the Japan-U.S. Joint Committee, where they will discuss command, bases, and other issues with the United States. In other words, founders of the Japanese Self-Defense Forces were to consult with the United States through the Japan-U.S. Joint Committee, where the United States has the dominant power. By establishing the secretive Japan-U.S. Joint Committee, the United States maintained its rights and privileges without enunciating in the text of the Security Treaty, and Japan became independent in name only.

Dulles added another element to Yoshida's idea of a joint committee - that the agreements reached at this Committee be recorded in writing, rendering the Committee with unlimited power to produce secret agreements without Diet oversight. The

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<sup>20</sup> Yabe, *Country Capable of Waging a War?*, 1028-1234/3938.

<sup>21</sup> Yabe, *Country Capable of Waging a War?*, 1178/3938.

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"secret agreements," layered on but detached from the security treaty to be signed later in the year, became part of the Administrative Agreement whose text was not made public at that time.<sup>22</sup>

The United States thus maintained its rights and privileges it had during the US occupation of Japan through the new concept of "the Administrative Agreement + the Japan-U.S. Joint Committee + secret agreements" based on a Yoshida's proposal on February 3, 1951. Immediately after it became certain on February 5, 1951, that Japan would accept these conditions, on the following day, February 6, Dulles presented Japan with drafts of a "very generous" peace treaty, a security treaty,<sup>23</sup> and an administrative agreement, which were signed by the two countries on February 9, 1951.

On September 8, 1951, Dulles gathered representatives of 52 countries in San Francisco and successfully concluded the Peace Treaty with Japan. The San Francisco Peace Treaty and the Security Treaty were signed on the same day hours apart, putting collar on Japan as soon as it regained its independence. They entered into force the following April 1952. The Security Treaty had been kept secret from the Japanese people until then. The members of Japanese plenipotentiary delegation who participated in the San Francisco Peace Treaty also did not know about the

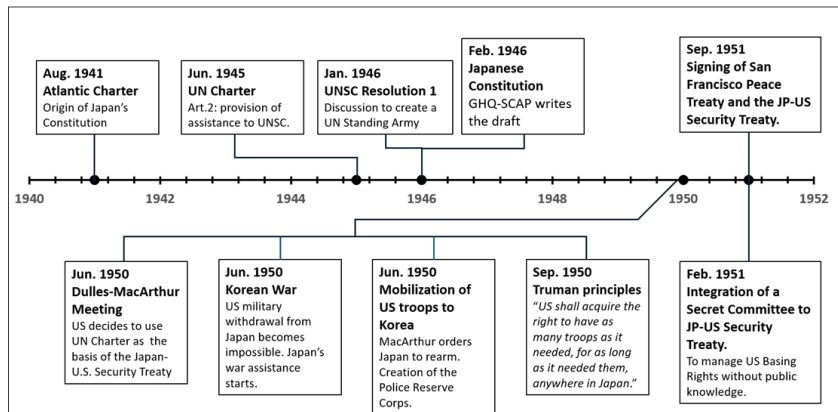
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<sup>22</sup> Dulles' demand at Dulles-Yoshida talks on April 18, 1951.

<sup>23</sup> At this point, "Japan-U.S. Agreement for Collective Self-Defense."

Security Treaty until they arrived in San Francisco. Naturally they refused to sign it. Two of them even refused to participate in the signing ceremony. Hence, Yoshida alone signed the Security Treaty between the United States and Japan.

Figure 2 is the timeline for the major events depicted in this section.



Source: from the author

*Figure 2 Major Events 1941-1951*

### III. 1951-1960: Original Security Treaty

In this section, the legal structure provided in the original Security Treaty (OST) (the Security Treaty between the United States and Japan) and the San Francisco Peace Treaty will be examined. Together, they form the basis of Japanese security

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arrangement. This analysis will be followed by examination of a series of secret agreements concluded between Japan and the United States, which shaped and finessed the legal structure of Japanese Defense Forces throughout its history.

**The Legal Structure.** Signing of a peace treaty and subsequent independence was conditioned by the United States on Japan's acceptance of the Security Treaty and the continued stationing of US troops on Japanese soil. The San Francisco Peace Treaty requires Japan to join the United Nations and provide military assistance to the UN as dominated by the United States. The preamble of the Peace Treaty reads,

*Whereas Japan for its part declares its intention to apply for membership in the United Nations and in all circumstances to conform to the principles of the Charter of the United Nations;*

*[...]*

*Article 5 (a): Japan accepts the obligations set forth in Article 2 of the Charter of the United Nations, and in particular the obligations*

*[...]*

*(iii) to give the United Nations every assistance in any action it takes in accordance with the Charter [...].*

Furthermore, Article 5 (c) grants Japan the right of self-defense as per UN Charter Article 51, but without the right of belligerency (Article 53 “Enemy Clause” in the UN Charter).

*(c) The Allied Powers for their part recognize that Japan as as sovereign nation possesses the inherent right of individual or collective self-defense referred to in Article 51 of the Charter of the United Nations and that Japan may voluntarily enter into collective security arrangements.*

In other words, Japan with a right of self-defense (Article 51, UN Charter) but without right to use armed forces (Article 53, UN Charter), its defense remains precarious. The inadequacy of Japanese defense so designed is partially resolved by Japan-U.S. Security Treaty, where the United States takes the responsibility for Japan’s self-defense or acts of aggression of Japan’s enemy countries. With the UN Charter and San Francisco Peace Treaty, Japan's right to self-defense can only be exercised under the control of the United States.<sup>24</sup>

An analysis of the legal framework of the two security treaties between Japan and the U.S. is in order here. Japan and the U.S. signed two security treaties---one in 1951, the Security Treaty between the United States and Japan (hereafter the Original Security Treaty, or the OST), and one in 1960, The

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<sup>24</sup> Tomabechi, *Theories of War*, 33/2117.

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Treaty of Mutual Cooperation and Security between the United States and Japan (hereafter the Revised Security Treaty, or the RST) . Below is an analysis of the Original Security Treaty,

*Article I*

*Japan grants, and the United States of America accepts, the right [...] to dispose United States land, air and sea forces in and about Japan.*

Japan granted the U.S. gigantic military privileges, the most important of which was Article 1 of the Security Treaty. It stipulates that the U.S. may station its troops “in and about Japan.” There is no restriction on the areas where the troops can be stationed. This is in sharp relief with, say, U.S.-Philippines Military Base Agreement (1942-1991), which stipulates specific locations where the U.S. military was allowed to establish bases in the Philippines. In the case of Japan, however, the agreement does not provide for a specific location as a base, but rather allows the U.S. military to "deploy" anywhere. This is called the "all-area" base system. The U.S. military can demand Japan to station US troops anywhere on Japanese soil. And Japan has no right to refuse US request under Article I.<sup>25</sup>

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<sup>25</sup> Kouji Yabe 矢部宏治, *Shittehaikenai kakusareta nihonshihaino kouzou* 知ってはいけない 隠された日本支配の構造[We Are Not Supposed to Know - The Structure of Hidden Control of Japan] Tokyo: Koudansha, (2017), Kindle: 68.

What is important to note is that the United States did not acquire the right to “station” but rather the right to “dispose” U.S. armed forces. The concept of “disposal” assumes that troops will go out to conduct military operations (i.e., military exercises, armed conflicts, wars, etc.). Furthermore, the “disposal” is allowed “*in and about Japan*,” which signifies that the bases can be built anywhere in and adjacent to Japan, and any military operations can be conducted there.

“*In and about Japan*” means that all U.S. troops stationed in Japan are free to move across the Japanese border. Thus, this Article grants to foreign armed forces (that is the U.S. forces) “the right to attack other states from Japanese territories.” At the same time, Article 1 guarantees Article 3 – Paragraph 1, second half: “*the right of the U.S. armed forces to move freely outside the Base and Area of use.*”<sup>26</sup> This disposition contrasts sharply with the “Iraq-U.S. Status of Forces Agreement” signed by the United States and Iraq in 2008. One of the most significant corrections was the addition of a new article prohibiting U.S. troops stationed in Iraq from crossing Iraq's borders to attack neighboring countries.

Article I of the OST further states,

*Such forces **may be utilized** to contribute to the maintenance of international peace and security in the*

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<sup>26</sup> Yabe, *Country Capable of Waging a War?*, 890-916/3938.



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*Far East and to the security of Japan against armed  
attack from without,*

The original wording of Article I was “***Such forces would be designed solely for the defense of Japan,***” but it was unilaterally amended by the United States as shown above and became the final version of the OST. It is important to note that the term “Far East” does not indicate the “scope of action” but rather the “scope of purpose” signifying that the military operations may be taken not only in the vicinity of Japan but also anywhere in the world for the “purpose” of “maintaining peace and security in the Far East,” This paragraph gives the United States a carte blanche for military operations from Japan to anywhere in the world without consultation with the Japanese Government. This unilateral amendment established the legal basis for Japan to accede to the U.S. military's demands as the United States sees fit.

OST’s Article II elaborates the rights granted by Article I to the United States, although expressed indirectly through the prohibition to grant such rights to a third power. Three major rights are enunciated here; first, the right to establish bases in Japan and its exclusive use; second, the right to station soldiers in Japan and conduct military exercises; and third, the right of U.S. military units (Army, Navy, and Air Force) to transit through Japan [i.e. the right to cross Japan's borders].

OST's Article III stipulates that the U.S. military privileges secured by Articles I and II be specifically administered through the Japan-U.S. Joint Committee in the form of "administrative agreements"<sup>27</sup> between the Japanese government and the US government, without any involvement of the Diet (国会 *Kokkai*, or Japanese parliament). This legal structure allows the governments of both countries a free hand to conclude secret agreements without accountability to the Congress / the Diet.<sup>28</sup>

The treaties and agreements stipulate "*U.S. forces in Japan*," not "*U.S. forces stationed in Japan*." The term "*U.S. forces in Japan*" could arguably include any U.S. forces physically present within Japanese territory, including "*U.S. forces temporarily stopping at Japanese bases*" and "*U.S. forces passing through Japanese airspace or territorial waters*" in addition to those U.S. forces stationed in Japan.

In other words, the original Security Treaty provides significant privileges to troops that are not necessarily involved in the defense of Japan, and that are acting solely on behalf of US interests, as long as they are "present" in Japanese territory and

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<sup>27</sup> An "administrative agreement" refers to a genre of legal agreements that the head of the executive branch, the President of the United States, can make with other countries without going through Congress.

<sup>28</sup> Kouji Yabe 矢部宏治, *Shittehaikenai 2 Nihonno Shukenha Koushite Ushinawareta* 知ってはいけない2 日本の主権はこうして失われた [We Are Not Supposed to Know Vol.2 - Japan's Sovereignty Was Thus Lost] Tokyo: Koudansha, (2018), Kindle: Chapter 2.

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airspace. Considering this fact alone, it is clear that the essence of the OST is not the “defense of Japan” but rather the “military use of Japanese land” by the U.S. military. This expression is kept in the Revised Security Treaty and remains effective to date.

Therefore, the U.S. military continues to be in a state of wantonness that was almost the same as during the occupation period. This is because the U.S. military is free to do whatever it wanted as long as it agreed with the Japanese bureaucrats on the Japan-U.S. Joint Committee.

The legal privileges the U.S. military enjoyed in Japan were not only determined by the provisions of the Japan-U.S. Administrative Agreement that came into effect in April 1952, but also by a series of secret agreements concluded in the Japan-U.S. Joint Committee.

**Secret Agreements.** On September 8, 1951, the secret agreement “Yoshida-Acheson Exchanged Notes” (hereafter, Exchanged Notes) was concluded in San Francisco on the same date as the San Francisco Peace Treaty and the original Security Treaty were signed.<sup>29</sup> This secret treaty between Japan and the

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<sup>29</sup> *Notes Exchanged between Prime Minister Yoshida and Secretary of State Acheson at the Time of the Signing of the Security Treaty between Japan and the United States of America, September 8, 1951*, (Joyakushu, 30-6. Japan's Foreign Relations-Basic Documents Vol.1, pp.446-448.: "The World and Japan" Database, The University of Tokyo, 1951), <https://worldjpn.net/documents/texts/docs/19510908.T3E.html>

United States legally bound Japan to continue its support for the US war efforts as during the occupation era. Moreover, this time there was no restriction on the regional scope. The United States could project its forces from Japan to anywhere in the world, and Japan is legally bound to provide war support to the United States under the same conditions as it did during the U.S. occupation when Japan was deprived of sovereignty.

As a result, to this day, Japan is the only country in the world that is obligated by treaty to cooperate with the U.S. military in war. The legal nature of Japan-U.S. relation is not merely a “continuation of the occupation regime”; it is the “continuation of the wartime regime (i.e. war collaboration regime) under occupation.”

Finally, the entity to which Japan is obligated to provide assistance is not even the ambiguously defined “*the forces of a member or members of the United Nations [...] engaged in any United Nations action in the Far East,*” but to UN member states that provide military support to such armed forces. In the text, it is written,

*[I]f and when the forces of (1) a member or members of the United Nations are engaged in any United Nations action in the Far East after the Treaty of Peace comes into force, Japan will permit and facilitate the support in and about Japan, by (2) the member or members, of the forces*

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*engaged in such United Nations action (Emphasis and  
numbering by the author)*

Here one has to pay attention to the nuanced differences between “a” member (using indefinite article) and “the” member (using definite article). This is a masterpiece by Dulles, the lawyer-com-diplomat, to create devils in the details. (1) *a member or members* indicates the states engaged in UN actions. (2) *the member or members* indicate those states which provide assistance to the members undertaking UN actions.

The reason Dulles forced the division of one entity “[UN] *member or members*” into two (“a” and “the”) is to require Japan to support the war effort in the name of the UN forces (“a” member or members) and the support will only go to the United States (“the” member or members). The recipient of such aid, i.e., the United States, is unbound by any intervention or restrictions by the United Nations. To put it bluntly, the U.S. wanted Japan to provide assistance to UN operation (a member or members of UN), but did not want the U.N. to have any say in the using of Japanese assistance by the recipient--*the* American force.

The Exchanged Notes made Japan legally obligated to “permit and facilitate” any U.S. military operations under the name of the United Nations, but the U.S. using the Japanese logistics would remain outside the framework of the United

Nations. Such is the beautiful (in the eyes of Americans) design embedded in the wording of the Exchange Notes.

On July 23, 1952, three months after the Treaty of San Francisco came into force on April 28, Prime Minister Yoshida made the first secret verbal agreement with the United States that in the event of war, Japanese forces would come under the U.S. command. The fact that another country has the command of Japanese military means that Japan is a **protectorate**. On October 15, 1952, the National Police Reserve Corps was upgraded to the Security Forces.

On February 8, 1954, Yoshida concluded the second secret verbal agreement to the US Command of Japanese forces. In the testimony of U.S. Ambassador to Japan John M. Allison before the U.S. House of Representatives Committee on Foreign Affairs, Subcommittee on the Pacific on February 17, 1954, Allison confirmed that Yoshida made Japan's second verbal agreement.<sup>30</sup>

On February 19, 1954, *Agreement regarding the Status of the United Nations Forces in Japan* was signed.<sup>31</sup> This agreement, alternatively called "UN SOFA," comprises one of two treaties

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<sup>30</sup> Committee on Foreign Relations, U.S. House of Representatives, "Secret Hearings, Extracts, 1951-50," Volume 1, United States Government Printing Office, 1980.

<sup>31</sup> *Treaty Series No.10 (1957) Agreement regarding the Status of the United Nations forces in Japan*, (London: Her Majesty's Stationery Office, 1957), <https://treaties.fcdo.gov.uk/awweb/pdfopener?md=1&did=65745>.

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granting the Right of Command of Japanese armed forces to the United States. The other treaty giving the Right of Command of Japanese armed forces is the “Yoshida-Acheson Exchanged Notes,” as mentioned earlier. These two treaties together form one legal framework of the Unified Command: the Exchanged Notes provide a justification for concluding the UN SOFA, and the UN SOFA defines the Unified Command. The crux is laid out in Article I of the annex of the UN SOFA called Agreed Official Minutes Relating to the Agreement Regarding the Status of the United Nations Forces in Japan. It reads,

*Re Article I:*

*1. For the purpose of this Agreement the Government of the United States of America acts only in the capacity of “the Government of the United States of America acting as the Unified Command.” The status of the United States armed forces in Japan is defined by arrangements made pursuant to the Security Treaty between Japan and the United States of America, signed at the city of San Francisco on September 8, 1951.*

The first half of the article stipulates that the United States is acting not as a government but as the Unified Command of the United Nations. In fact, both the text of the Agreement and the signature line refer to “*the Government of the United States of*

*America acting as the Unified Command*” rather than “the Government of the United States of America.”

The U.S. military contributes the majority of UN forces in Japan, and it is almost a UN force in and of itself. The second half of the article indicates that the legal basis of the stationing of this “UN troops” is not the UN SOFA, but rather the US-Japan Administrative Agreement.

In other words, the UN SOFA divides one physical entity “the U.S. forces in Japan” into two conceptually distinct entities: the “United Nations Command with unified command authority [the U.S. Far East Command]”<sup>32</sup> (U.S. Forces A) and “U.S. Forces in Japan with massive rights and privileges” (U.S. Forces B).

Japan is legally required to cooperate with U.S. Forces A, representing UN forces in accordance with UN SOFA. At the same time, the actual cooperation is carried out with U.S. Forces B (which represent the nation-state of the United States) on the legal bases of the Original Security Treaty, the Administrative Agreement, and the “Yoshida -Acheson Exchanged Notes.”)

Thus, the “Right to Command Japanese armed forces” was clearly written in the Status of UN Forces Agreement to which

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<sup>32</sup> UN Command as the entity exercising unified command authority granted to the U.S. Government by UNSC Resolution No. 86 (U.S. Far East Command)



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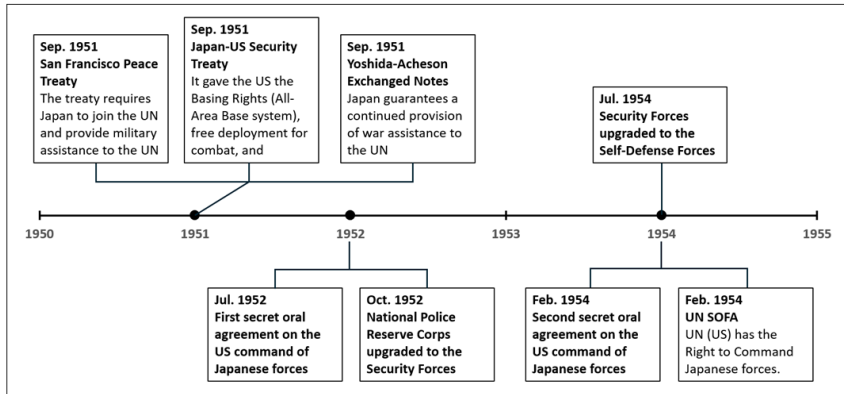
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Japan is the principal signatory state. The reason the United States engineered such a legal manipulation as to divide one physical entity into two legal entities is to maximize the U.S. interests. By binding Japan to assist UN war efforts indirectly through U.S. Forces B, the United States was able to take advantage of its enormous rights and privileges granted by Japan for its war efforts outside Japan. This is the extension of legal wording strategy Dulles perfected in the Yoshida-Acheson Exchanged Notes and the UN SOFA.

To summarize the major development, immediately after the second secret verbal agreement with Yoshida on unified command (February 8, 1954), the UN SOFA was signed (February 19, 1954), followed by the Japan-US Mutual Defense Assistance Agreement (MDA Agreement, March 8, 1954) and the creation of the Self Defense Forces (July 1, 1954).

The way the United States brought Japan into such a military submission was through legal mechanisms. As demonstrated previously, all these military agreements between Japan and the United States were grounded in the UN Charter; however, they were concluded at a time when Japan was not yet a UN member state, depriving Japan of its legal protection by the UN Charter. Dulles imposed obligations on Japan in the name of international law and concluded unequal treaties while Japan was denied of its rights.

Figure 3 is the timeline for major events depicted in this section.



Source: from the author

*Figure 3 Major Events 1951-1954*

#### IV. After 1960: Revised Security Treaty

This section will examine the revision of the original Security Treaty and subsequent secret agreements.

**The Revision of Security Treaty and the Sunagawa Decision.** The revised **Security Treaty (RST)** was carried out during the rule of Prime Minister Nobusuke Kishi (岸信介, January 1957-July 1960). Kishi was brought to power early on by the CIA from a Class A war criminal in prison to the position of prime minister in a little over eight years. According to Tim Weiner, the CIA had been paying off foreign politicians since

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1948. But Japan was the first leading nation in the world to have its future leader chosen by the CIA.<sup>33</sup>

In November 1955, Japan's two conservative parties (the Liberal Party and the Japan Democratic Party) were merged into a single party called "the Liberal Democratic Party (LDP)." Kishi was a leading figure in the LDP, becoming its first secretary-general, and he tacitly allowed the CIA to begin maneuvering to increase the number of members in the Diet who would cooperate with Kishi. In his skillful rise to the top, Kishi worked in tandem with the CIA to create a new security arrangement between the US and Japan.<sup>34</sup>

Kishi received massive fundings and "advice on the election" from the CIA during that crucial general election that established one-party LDP rule for over three decades. The New York Times published an article on October 9, 1994, reporting

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<sup>33</sup> Tim Weiner, *Legacy of Ashes: The History of the CIA*, New York: Vintage, (2008), cited in: Yabe, Japan's Sovereignty, 104-112.

<sup>34</sup> Central Intelligence Agency, *Nobusuke KISHI*, (Washington, D.C.: Central Intelligence Agency of the United States, 1982), [https://www.cia.gov/readingroom/docs/KISHI%2C%20NOBUSUKE\\_0003.pdf](https://www.cia.gov/readingroom/docs/KISHI%2C%20NOBUSUKE_0003.pdf) ; Koichiro Osaka, "The Imperial Ghost in the Neoliberal Machine (Figuring the CIA) - Journal Issue #100," E-flux Journal, last modified May 2019, <https://www.e-flux.com/journal/100/268783/the-imperial-ghost-in-the-neoliberal-machine-figuring-the-cia/>.

Kishi, Ikeda (池田勇人) and Sato (佐藤栄作) were funded by the CIA throughout their administrations from 1958 to the 1960's.<sup>35</sup>

The main purpose of Kishi's revision of the Security Treaty announced to Japanese people was allegedly to remove "remnants of the occupation period" and to start a "new era of Japan-U.S. relations" between the two sovereign nations as equals. Kishi announced the establishment of a "Prior Consultation System," where Japan obliges the United States to consult the former under certain conditions before the United States takes military actions. Through this mechanism, Japan allegedly would protect its sovereignty by placing restrictions on the military actions of U.S. forces.<sup>36</sup>

In May 1958, Kishi won the first lower house election since the formation of the LDP with 187 seats. Five months later, on October 4, 1958, he launched negotiations for the revision of the Security Treaty, which were decided entirely through secret negotiations at the Imperial Hotel, never reported by the press. During the negotiations over a year and three months, Fujiyama (藤山愛一郎), a Kishi's long-time business friend who was recruited to take position of Minister of Foreign Affairs, oversaw the entire process, and held many secret meetings with

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<sup>35</sup> "CIA spent Millions to support Japanese Rights in 50's and 60's," *The New York Times*, last modified October 9, 1994, <https://www.nytimes.com/1994/10/09/world/cia-spent-millions-to-support-japanese-right-in-50-s-and-60-s.html>.

<sup>36</sup> Yabe, "US Military Bases" and "Nuclear Power Plants", 96%.

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Ambassador Douglas MacArthur II (nephew of General Douglas MacArthur). Kishi and Fujiyama kept the negotiations secret even from the other cabinet ministers and LDP officials.<sup>37</sup>

On December 16, 1959, one month before the signing of the RST, a Supreme Court decision was handed down in Sunagawa Trial (砂川裁判) that the Supreme Court would not judge the constitutionality of the Japan-U.S. Security Treaty.

Sunagawa is the name of the location where Tachikawa U.S. military base (Tokyo) was located at the time. In July 1957, over the expansion of Tachikawa U.S. military base, 23 people were arrested and seven of them were indicted for violating the Special Criminal Law (a law that provides special penalties and criminal procedures for issues related to U.S. forces in Japan) on the ground that protesters had entered the base grounds for a few meters.

On March 30, 1959, in the first trial of this case, Tokyo District Court Judge Akio Date (伊達秋雄) ruled that since the U.S. forces in Japan constituted a "force of war" that Japan was prohibited from having under Article 9 - Paragraph 2 of its Constitution, allowing their stationing in Japan was a violation of the Constitution. Therefore, there is no rational basis for a special

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<sup>37</sup> Yasushi Suenami 末浪靖司, *Kimitsu Kaikin Bunsho ni Miru Nichibeidōmei* 機密解禁文書にみる日米同盟 [The Japan-U.S. Alliance Seen in Declassified Documents], Tokyo: Koubunken, (2015), Kindle: 167.

criminal law that provides special legal protection for U.S. forces in Japan, and all of the defendants were found not guilty. This “Date Decision (伊達判決)” declared the U.S. military presence in Japan to be in direct violation of the Constitution, but was later overturned by the Supreme Court on December 16, 1959, through U.S. maneuvers.

The U.S. Ambassador MacArthur II feared that the revision of the Security Treaty scheduled for the following year would be affected, and he launched an aggressive political maneuver to have the ruling overturned by the end of 1959. First, the day after the first trial decision was issued, Ambassador MacArthur II immediately met with Foreign Minister Fujiyama at 8 o’clock in the morning and requested him to appeal the case directly to the Supreme Court, by-passing the Tokyo High Court, in order to shorten the trial period. MacArthur II dictated the trial through exchanging information directly with Chief Justice Kotaro Tanaka (田中耕太郎), and on December 16, 1959, as planned, the Supreme Court reversed the Date Decision of the trial.

The political maneuvers by MacArthur II against the Japanese Supreme Court is further documented by declassified U.S. governmental archives. According to the U.S. archives,<sup>38</sup> the

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<sup>38</sup> Several US diplomatic archives indicate that the Japanese government and Supreme Court implemented the requests of the United States, violating the rule of law of Japan. Douglas MacArthur II, *Telegram, from Tokyo to Secretary of State, No. 1969, March 31, 2PM, 1959*, (Washington, D.C.: Department of

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entire process of the Sunagawa Trial, from the beginning to the end, including the prosecutor's position, the Japanese government's policy, and the Supreme Court's ruling, followed exactly the requests from the U.S. government, which saw its bases in Japan vital to its national interests.

The Supreme Court's ruling stated that "*the court cannot make a constitutional judgment on a highly political issue that affects the existence of the state, such as the Security Treaty.*" This ruling rendered impossible for the people to challenge the constitutionality of the acts of Japanese Government regarding anything "*that affects the existence of the state.*" The Security Treaty and Japanese Defense policy is just one of such "*political issues.*" Any issues can be placed above the constitution if it is

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State, the United States, 1959); Douglas MacArthur II, *Telegram, from Tokyo to Secretary of State, No. 1982, April 1, 8 PM, 1959*, (Washington, D.C.: Department of State, the United States, 1959); Douglas MacArthur II, *Telegram, from Tokyo to Secretary of State, No. 2018, April 3, 9 PM, 1959*, (Washington, D.C.: Department of State, the United States, 1959); Douglas MacArthur II, *Telegram, from Tokyo to Secretary of State, No. 2200, April 24, 4 PM, 1959*, (Washington, D.C.: Department of State, the United States, 1959); William K. Leonhart, *Airgram, from Amembassy TOKYO to Secretary of State, No. G-73, July 31, 1959*, (Washington, D.C.: Department of State, the United States, 1959); Douglas MacArthur II, *Airgram, from Amembassy TOKYO to Secretary of State, No. G-230, November 6, 4 PM, 1959*, (Washington, D.C.: Department of State, the United States, 1959). These archives are presented in: Toshihiro Yoshida 吉田敏浩, Shouji Niihara 新原昭治, and Yasushi Suenami 末浪靖司, *Kenshō hōchi kokka hōkai: Sunakawa saiban to Ni-Tsu kome mitsuyaku kōshō* 検証・法治国家崩壊: 砂川裁判と日米密約交渉 [Verification: The Collapse of the Rule of Law: The Sunagawa Trial and the Secret Japan-US Negotiations] (Tokyo: Sogensha, 2014).

considered an issue “*that affects the existence of the state,*” opening to wide interpretations encompassing all areas of policy. Hence, the Constitution of Japan has virtually ceased to function as the supreme law of the land. The public cannot hold its government accountable in court, and Japanese government is subject to the unequal security treaties which maintain the occupation-era privileges of the US forces. The Sunagawa Ruling made the US military sacrosanct in Japanese jurisdiction. Originally, the issue brought to the Court was the legality of US forces in Japan; however, the decision handed down ensured the legality of all policy areas related to the US forces, including the highly contentious issue of the American Right of Command of Japanese armed forces.

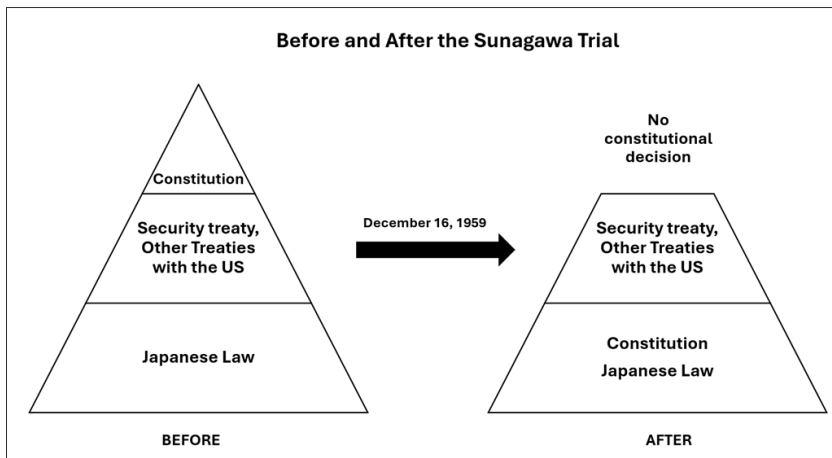
With this ruling, it was effectively established as a precedent by the Supreme Court that “the Security Treaty is above the Constitution of Japan.” Moreover, the Sunagawa ruling applies not just to the Security Treaty but to all areas of law. As the ruling is formulated: “*the court cannot make a constitutional judgment on a highly political issue,*” and the Security Treaty is merely one examples in this category, the definition of “*highly political issue*” is subject to an expansive interpretation. In other words, this ruling has brought the entire set of treaties with the United States



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above the entire set of Japanese laws, legally fixing Japan under US control.<sup>39</sup> (Figure 2)



Source: Translated and modified by the author from Kouji Yabe, *Hidden Control of Japan*, p.137.

*Figure 4 Disempowerment of Japanese Constitution by Sunagawa Ruling*

As a result, this ruling has let not only the US military and related officials but also Japan's elite bureaucracy be immune to Japanese rule of law with regard to US related issues. As long as the bureaucrats work under the agreements reached between Japanese government and the U.S. military (secret or public), or as long as bureaucrats agree with the U.S. military in the closed-door sessions of the Japan-U.S. Joint Committee,

<sup>39</sup> Yabe, "US Military Bases" and "Nuclear Power Plants", 13%.

bureaucrats will not be held accountable before Japanese Laws regardless of the legality of their actions.

The Supreme Court Decision redefined the Japanese Constitution by stating: *“Japan has the right to defend itself”*(paras 4 &5); *“The method of self-defense is not limited to military action by the UN Security Council”* (para 6); *“Article 9 of the Constitution was enacted in order for Japan to reflect on its past militarism and for the Japanese government not to provoke another war”* (para 2); *“Therefore, the ‘force of war’ prohibited by Article 9, paragraph 2, is military power that Japan has the authority to command and control and which could provoke another war of aggression”* (para 3).

It is important to note that in this Sunagawa Decision, what Japan is prohibited from possessing is military power with its own command and control. According to this definition, even if the Self-Defense Forces are deployed overseas, they are not unconstitutional as long as the U.S. military has command authority over them. This fraudulent theory of the constitutionality of the U.S. military presence in Japan was conceived by John B. Howard, Special Assistant to the Secretary

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of State, who was a leading theorist and international lawyer in the U.S. State Department.<sup>40</sup>

After the Supreme Court's Sunagawa Decision, Japanese Government essentially became free to make substantive amendments to the Constitution, ignore the principle of separation of powers, and suppress fundamental human rights, once secret agreements are signed by the "Japan-U.S. Joint Committee" or the "Japan-U.S. Security Consultative Committee (SCC)," for example. Hence, with regard to Sunagawa incident, the deliberations in the Diet, the debates over the Constitution, and the public opinion expressed in the demonstrations were essentially meaningless to the Japanese Government, since a military agreement with the U.S. had already been concluded through the SCC.

The Security Treaty and its related agreements supersede the entire domestic laws of Japan, including the Constitution. Human Right violations by US armed forces are rampant, such as their low-altitude flights over residential areas, unilateral blockades of accident sites, and the health damages due to roars of fighter jets.

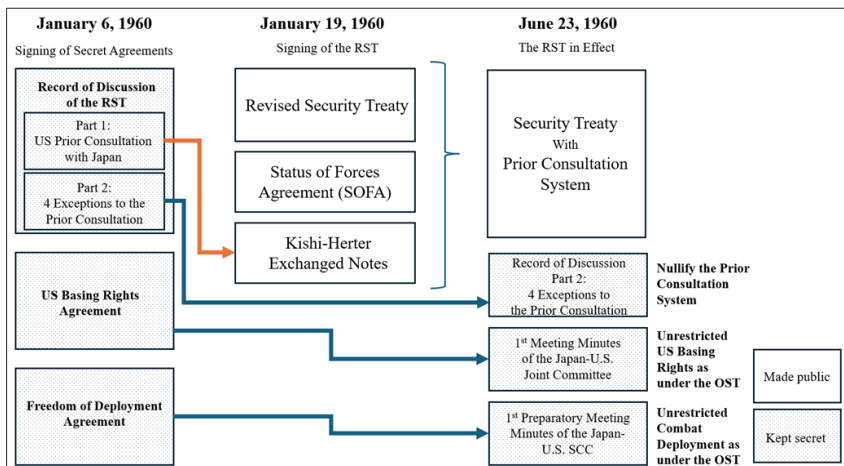
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<sup>40</sup> John B. Howard, *The impact of Japan's war renunciation on military sanctions, March 3, 1950*, (Washington, D.C.: Department of State, the United States, 1950), cited in: Yoshida, Niihara, and Suenami, *Verification*, 204-217.

Yet they are entirely legal under Japanese laws, hence no Court can stop the violation.<sup>41</sup>

### Laying Ground for the RST - More Secret Agreements.

As shown below in Figure 5, on January 6, 1960, the United States and Japan concluded what became the foundation of the RST: three secret agreements called “the Record of Discussion,” “the Basing Rights Agreement,” and “the Freedom of Deployment Agreement.”



Source: from the author

*Figure 5 Mechanism of the Revised Security Treaty*

<sup>41</sup> Yabe, “US Military Bases” and “Nuclear Power Plants”, 13%.

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The Record of Discussion consists of two parts: the first part concerning the conditions which require US prior consultation with Japan, and the second part stipulating four exceptions to avert prior consultation. The first part was made public in the form of the “Kishi-Herter Exchanged Note,” giving the Japanese public the façade of “partnership between two sovereign nations.” The four exceptions were kept secret, which nullify all the conditions that require the US government to consult Japanese government, making the “Prior Consultation System” a dead letter and giving the United States free hand in their military activities and the use of bases in Japan.<sup>42</sup> No prior consultation has ever taken place since the signing of the RST in 1960.

The Basing Rights Agreement and the Freedom of Deployment Agreement guaranteed the U.S. forces that under the RST, they would enjoy the same unchanged privileges and rights as under the OST. The difference between the RST and the OST is that these exorbitant rights were hidden under the RST while it was known under the OST. The implication of these agreements is that over 1600 secret agreements<sup>43</sup> signed during the OST in the Japan-U.S. Joint Committee were all brought into the RST.

On January 19, 1960, when the Revised Security Treaty (RST) and the Status of Forces Agreement (SOFA) were signed,

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<sup>42</sup> Yabe, *Japan's Sovereignty*, Chapter 2.

<sup>43</sup> Yabe, “US Military Bases” and “Nuclear Power Plants”, 97%.

and the first part of the Record of Discussion was made into the “Kishi-Herter Exchanged Note” and annexed to the RST.

In addition, also on January 19, 1960, the “*Exchanged Notes, Regarding Yoshida-Acheson Exchanged Notes*”<sup>44</sup> was signed, in which the parties agreed the following two points: first, Japan’s obligation to assist US war efforts inscribed in the “Yoshida-Acheson Exchanged Notes” would remain in force as long as the Korean War continues. Secondly, the use of bases and the legal status of U.S. forces in Japan under the United Nations Command will be determined by the RST, which gives UN forces in Korea the enormous rights and privileges of the Japan-U.S. Security Treaty. In this way, the United States can leverage Japanese resources for the purposes other than what is defined in the Japan-U.S. Security Treaty.

Firstly, the new Exchanged Notes transferred the “Yoshida –Acheson Exchanged Notes” from annex of the OST to the annex of the “Status of UN Forces Agreement (UN SOFA).” Thus, no matter how the Japan-U.S. Security Treaty is changed or terminated in the future, the “Yoshida –Acheson Exchanged Notes” will remain in force as long as the UN SOFA is in force,

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<sup>44</sup> Government of Japan, *Exchanged Notes, Regarding Exchanged Notes between Prime Minister Yoshida and Secretary of State Acheson*, (Tokyo: Database of Japanese Politics and International Relations, University of Tokyo, 1960), <https://worldjpn.net/documents/texts/docs/19600119.T3E.html>.

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which means until the Korean War officially ends with a peace treaty. It signifies that the United States will maintain its Basing Rights in Japan as long as the Korean War continues, regardless of whether the Japan-U.S. Security Treaty is in force. Therefore, Japan legally lost its right to terminate the US Basing Rights in Japan.

Secondly, the new Exchanged Notes means the dual-entity formula created in the Minutes of UN SOFA, where the "UN Command" [U.S. Forces A] is stationed in Japan on the basis of the Status of UN SOFA and "U.S. Forces in Japan" [U.S. Forces B] on the basis of the Japan-U.S. Security Treaty, is now stated in the official annex to the RST. Therefore, as long as the Korean War does not end with a peace treaty, Japan must support the war efforts of UN forces in Korea on the same terms as to the United States under the Japan-U.S. Security Treaty.

On June 23, 1960, on the day the RST entered force, the secret Basing Rights Agreement was inserted into the first Meeting Minutes of the Japan-U.S. Joint Committee, and the secret Freedom of Deployment Agreement was inserted into the first Preparatory Meeting Minutes of the Japan-U.S. Security

Consultative Committee (SCC). This was an act of rendering these secret agreements part of the official RST treaty.

Article 6 of the RST stipulates that the US Basing Rights and the Status of US forces “*shall be governed by a separate agreement [i.e. SOFA][...] and by such other arrangements as may be agreed upon* ([ ]by the author).” Therefore, “*other agreements*” such as the secret Record of Discussion, the meeting minutes of the Japan-U.S. Joint Committee and those of the SCC have the same legal effects as the RST treaty itself. It is for this reason that the secret Basing Agreement and Freedom of Deployment Agreement were inserted into the meeting minutes of the committees on the exact date the RST came into force.

The most important change in the revision of the Security Treaty is Article 4 of the RST: the institutionalization of the US Right to Command Japanese armed forces from what was initially oral agreements between Prime Minister Yoshida and his American counterparts to an organ of the Japan-U.S. Security Treaty called “the Japan-U.S. Security Consultative Committee (SCC).” The SCC is dedicated to the Unified Command of American and Japanese forces under the US Command. This change made it possible for the Japanese Self-Defense Force to



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engage in joint military operations under a unified command of the United States.<sup>45</sup>

So what is the difference between the Japan-U.S. Joint Committee and the Japan-U.S. Security Consultative Committee? As shown below in Figure 6, the Japan-U.S. Joint Committee was established in 1951 by the OST to manage issues related to US Basing Rights under Japanese laws. In contrast, the SCC was established in 1960 by the RST. Nominally it is a committee where the United States consults Japan before taking certain actions, but as explained above, this system never came into operation. The real function of the SCC is to strengthen the US Command of Japanese armed forces.

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<sup>45</sup> Yabe, *Country Capable of Waging a War?*, 2700-3161/3938.

	The Japan-U.S. Joint Committee	The Japan-U.S. Security Consultative Committee (SCC) a.k.a. “2+2”
<i>Founding</i>	Est. by the OST, 1951	Est. by the RST, 1960
<i>In charge of issues related to</i>	US Basing Rights	Prior Consultation (Official) US Command of Japanese armed forces / Unified Command
<i>Current Members</i>	JP: Director-General of the North American Affairs Bureau, MOFA  US: Deputy Commander of the US Forces in Japan	JP: Minister of Foreign Affairs, Minister of Defense  US: Secretary of State, Secretary of Defense
<i>Structure</i>	26 subcommittees + 10 working groups (as of Mar. 2025)	Defense Cooperation Subcommittee (est. 1976) + 3 working groups (est. 1977)
<i>Features</i>	Creates legally binding secret agreements	Creates legally binding secret agreements

Source: from the author

### *Figure 1 RST Committees*

The current members of the SCC are the Minister of Foreign Affairs and the Minister of Defense on the Japanese side and the Secretary of State and Secretary of Defense on the U.S. side, making it commonly known as “2+2.”<sup>46</sup>

The power dynamic of the SCC works to the advantage of the United States. Since the revision of the Security Treaty in 1960 up to 2025, in 65 years Japan saw 51 foreign ministers preside, with an average tenure of less than one and a half years,

<sup>46</sup> However, the original members were the U.S. Ambassador to Japan and the Commander in Chief of the Pacific Command (Acting Commander of U.S. Forces Japan) on the U.S. side, and the Director-General of the Defense Agency and the Minister of Foreign Affairs on the Japanese side.

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and 76 Defense Agency Directors General<sup>47</sup>/ Defense Ministers with an average tenure of less than one year. In such a short tenure and a frequent reshuffling of the posts, the Japanese representatives cannot accumulate the expertise needed to negotiate with the United States on equal footing. Hence the United States can dictate the interpretation of treaties and lead the formulation of a vast number of secret agreements. It is in this context that questions vital to national sovereignty as the issue of command of Japanese forces are discussed and policy formulated.

What is more, the SCC is the de facto superior body of the Japan-US Joint Committee, since the representatives in the Japan-U.S. Joint Committee are hierarchically in positions of duty to receive direct orders from the ministers, who are the members of the SCC. This signifies that the United States exercises an additional layer of influence over both the SCC and the Japan-U.S. Joint Committee.<sup>48</sup>

The “Defense Cooperation Subcommittee”, established under the SCC in 1976, is the operational organ of the US Command of Japanese forces, whereas the SCC is a political organ. Officially called “*Japan-U.S. Unified Command Headquarters*,” the Defense Cooperation Subcommittee

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<sup>47</sup> The Japanese Ministry of Defense was originally the Defense Agency until its upgrade in 2007.

<sup>48</sup> Yabe, *Japan's Sovereignty*, 167.

established three working groups on Operations, Intelligence, and Logistics on April 18, 1977.

The SCC's Defense Cooperation Subcommittee established *the Guidelines for Japan-U.S. Defense Cooperation* in 1978, 1997 and 2015. These are commonly known as *the First Guidelines*, *the Second Guidelines*, and *the Third Guidelines*. Through these Guidelines, the Right to Command Japanese forces was gradually strengthened, and finally in 2015, the legal environment is in place for the Japanese Self-Defense Forces to conduct operations around the world under the US command. Through the first two Guidelines, the Japanese Self-Defense Forces were gradually made more autonomous from the US forces, and then in the Third Guidelines, Japanese forces became fully tailored for joint operations with the US forces under the US Command.

However, Japanese Diet placed an important restraint on the deployment of Japanese forces abroad. The Third Guidelines were actually enacted with a "supplementary resolution," which requires the Diet to give prior approval for the use of force, thereby eliminating the possibility of the government using force at its own discretion. In addition, it is now clarified in all situations that the SDF's activities will be terminated if the Diet passes a resolution to suspend them, and the government is required to report every six months on the SDF's activities overseas. Furthermore, a system for constant monitoring by the Diet (a report to the Diet every 150 days) and post-event

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verification will be established. In summary, the new Diet bill adds: “All exercises of the right of collective self-defense are under the control of the Diet,” “The Self-Defense Forces shall withdraw uniformly upon a Diet resolution to suspend the exercise of the right,” and “Constant monitoring and post-event verification by the Diet.”<sup>49</sup>

In a nutshell, the RST brought four major reforms. First, the RST maintained all the rights and privileges that the US forces enjoyed during the Occupation and under the OST era, while erecting a façade of “equal partnership” through the “Prior Consultation System.” Secondly, the RST institutionalized the oral agreements on the US Right to Command Japanese forces into a formal institution: the SCC. Since 2015, Japanese Self-Defense Forces can be deployed abroad under the US Command. Third, Japan lost its right to terminate the US Basing Rights, and fourth, Japan is bound to provide war supports to the UN forces on the same conditions as under the Japan-U.S. Security Treaty.

Moreover, since the meeting minutes of the Japan-U.S. Joint Committee and the SCC have the same legal effects as the security treaty itself (Article 6, RST), the confidentiality in which these minutes are kept means these committees are incessantly

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<sup>49</sup> Tomabechi, *Security Legislation*, 25.

creating secret treaties, salami-slicing and taking over Japan's sovereignty.

The US infringement of Japanese sovereignty is evident in the rights granted to the U.S. armed forces under Article 3 of the RST (initially Article 3 of the OST), which is the legal basis for the "Yokota Airspace" that extends over the Tokyo metropolitan area. That is, the U.S. armed forces hold the absolute right over the airspace over the entire Tokyo metropolitan area, even including a part of the Pacific Ocean.<sup>50</sup>

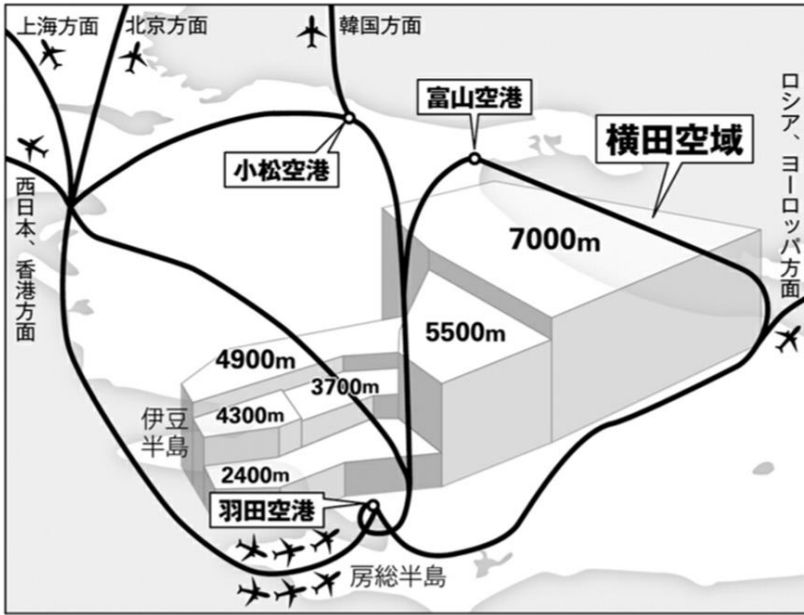
The diagram below is Yokota Airspace over Tokyo (Figure 7). In fact, the airspace over the Japanese metropolitan area is controlled by the U.S. military, and Japanese aircrafts are not allowed to fly there without permission from the U.S. military. The highest point of the airspace is 7000 meters above sea level, and this huge Himalayan-like airspace divides the Japanese sky into two halves, east and west. Within this boundary, the U.S. military can conduct any kind of military exercises and does not need permission from the Japanese government.

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<sup>50</sup> Furthermore, Article 5, Paragraph 2 of the Administrative Agreement and the Status of Forces Agreement, as an extension of this right, allows U.S. military aircraft, military vehicles, and ships to freely move between bases and between bases and Japanese ports and airfields, allowing U.S. military aircraft to fly virtually anywhere in Japan.

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Source: Kouji Yabe, Hidden Control, p.15.

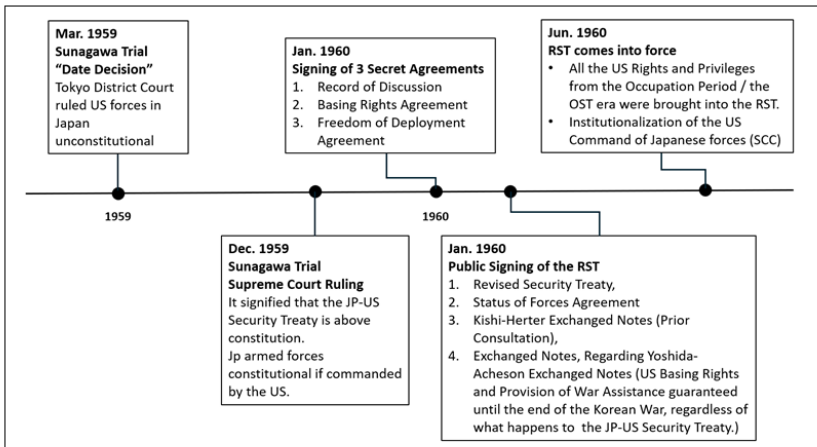
*Figure 7. Yokota Airspace*

Without information from the U.S. military, Japan does not possess any information on the kind of planes flying in the airspace. Under the controlled airspace, huge U.S. military bases of the size similar to the bases in Okinawa, such as US military bases of Yokota, Atsugi, Zama, and Yokosuka surround the capital city of Tokyo, and these bases are extraterritorial as per the Status of Forces Agreement. U.S. military personnel freely enter and leave Japan unchecked from these bases. The Japanese

government does not know how many Americans are currently in Japan.<sup>51</sup>

In other words, the fact that “the U.S. armed forces have the absolute right to access (enter and leave) U.S. bases” remains unchanged even after the revision of the Security Treaty. Its contradictions with Japanese laws are to be dealt with through the Japan-U.S. Joint Committee, which was conceived to have the Japanese domestic laws amended or have the interpretation of the law changed.<sup>52</sup>

Figure 8 is the timeline for major events depicted in this section.



Source: from the author

<sup>51</sup> Yabe, "US Military Bases" and "Nuclear Power Plants", 23%.

<sup>52</sup> Yabe, *Country Capable of Waging a War?*, 774-875/3938.



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### *Figure 8 Major Events 1959-1960*

## V. Staring into the Future

On March 7, 2025, NHK World Japan reported that US President Donald Trump “lamented that it requires the United States to protect Japan, but does not require Japan to do the same for the US.”<sup>53</sup> With the American hegemony in decline, it is worthy to speculate on the implications of a possible US withdrawal from the Japan-US Security Treaty, though the purview of my speculation can hardly be complete.

First of all, militarily, the Japan-U.S. Joint Committee in which US military officials dictate Japanese defense policy would be abolished. Since this military arrangement intervenes in Japanese domestic affairs through “all-area basing rights,” “all-area extraterritoriality” and “free-deployment and crossing of Japanese borders,” these interferences would accordingly cease.

The Japanese armed forces previously under US command would become independent, with significant implications in diverse areas. First of all, Japanese weapons’ development and its industry which previously had been severely restricted by the

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<sup>53</sup> “Trump complains about Japan-US security pact,” *NHK World Japan*, March 7, 2025, [https://www3.nhk.or.jp/nhkworld/en/news/20250307\\_06/](https://www3.nhk.or.jp/nhkworld/en/news/20250307_06/).

United States<sup>54</sup> would receive funding from the government for more active development of weapons and other military-related technologies. A military intelligence agency independent of the United States would be set up, hence collecting intelligence on its own and cutting off its dependency on the United States. Independence of Japanese armed forces means that Japan would develop its own military strategy autonomous of the United States, which until now has been impossible. The postwar prohibition by the United States of strategic studies in Japan, especially geopolitics and military strategy, in the form of confiscation of books and documents related to the subjects has severed Japanese strategic tradition. It would take significant efforts and time to re-establish Japanese strategic culture and technological edges.

Secondly, in terms of Japanese government structure, this signifies the power hierarchy within Japanese bureaucracy with the Japan-U.S. Joint Committee members at the helm would cease to exist as well.

The US military controls and appoints the Attorney General of Japan through the Japan-U.S. Joint Committee. The first acting Japanese representative on the Committee is the Chief Cabinet Secretary of the Ministry of Justice. Through the years the

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<sup>54</sup> See FSX jet affairs in: Tucker, Jonathan B. "Partners and Rivals: A Model of International Collaboration in Advanced Technology." *International Organization* 45, no. 1 (1991): 83–120.  
<https://doi.org/10.1017/S0020818300001405>

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majority of whom once held the position have become the Ministry's Administrative Vice-Ministers and then the Prosecutor General. Dismantling of the current system also means the US control of Japanese judiciary will end.

In addition, Japan's Supreme Court has been virtually non-functional after the Sunagawa Trial and its Supreme Court Decision in 1959, US military has been above Japanese Constitution, and the rule of law has been overtly breached. The withdrawal of US forces from Japan will re-establish the rule of law under Japanese Constitution.

Thirdly, as the defense capability is the ultimate guarantor of national sovereignty, the possession of strong military forces translates into a stronger political voice in international affairs. This political power that the U.S. derives from its military presence in Japan is not limited to security issues, but it also ripples to other areas, including economy and finance. For example, after 1997 Asian Financial Crisis, Japan tried to launch 100 billion dollar "Asian Monetary Fund" upon ASEAN's request to hedge against currency speculations. Washington used several means to crush this plan, one of which was a threat on Prime Minister Ryutaro Hashimoto (橋本龍太郎). According to a high-ranking finance bureaucrat, Washington called the Prime Minister before the cabinet meeting on the Asian Monetary Fund to abandon the plan or else "there would be a serious consequence

to the Japan-US security relations.”<sup>55</sup> The Prime Minister subsequently dropped the plan. This incidence demonstrates that U.S. military-political power in Japan is fungible. The withdrawal of US forces from Japan therefore is likely to give much more autonomy to Japanese policy-making.

Nonetheless, the withdrawal of US forces from Japan does not signify the US withdrawal from Asia. Given the fact that Asia has a vibrant economy, the US would likely supplement the loss of US military presence with other means, such as an increased intelligence, economic and financial presence in Japan. Since Japanese dependency on the United States would still serve the US interests better than an independent Japan, the United States is likely to maintain Japanese dependency by preventing Japan from establishing an independent external intelligence agency, for example. After all, Japan's oil supply, the protection of its sea lanes transportation as well as its nuclear plants are heavily dependent on the United States.<sup>56</sup> As we have already seen, Japan's largest political party, the Liberal Democratic Party, has

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<sup>55</sup> Hideo Tamura 田村秀男, *Kenshō kome-chū bōeki sensō: yuragu-jinmingen teikoku* 検証 米中貿易戦争: 揺らぐ人民元帝国 [Verification: The US-China Trade War: the Shaking of the Renminbi Empire] (Tokyo: Magazine Land, 2018), 235-239.

<sup>56</sup> Junichiro Yamaoka 山岡淳一郎, *Genpatsu to kenryoku* 原発と権力 [Nuclear Power and Political Power] (Tokyo: Chikumashobo, 2011); Junichiro Yamaoka 山岡淳一郎, *Nihon denryoku sensō* 日本電力戦争 [Japan Electricity War] (Tokyo: Soshisha, 2015); Kenji Akimoto 秋元健治, *Genshiryoku suishin no gendai-shi* 原子力推進の現代史 [Modern History of Nuclear Power Promotion] (Tokyo: Gendaishokan, 2014).

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received considerable sums of fund from the CIA in the 1960s. Although the current CIA relations with the LDP are unclear, the author surmises that their relations continue to this day, suggesting that the US covert influence on Japanese politics remain strong. The withdrawal of US military from Japan does not therefore automatically translate into an unhampered Japanese sovereignty. Put it succinctly, for the eight decades from 1945 to this day, the United States has not just cultivated Japan's military infrastructure, but also its political, administrative, and human (politician) infrastructures.

Without US armed forces, Japan would need to obtain nuclear weapon to offset Chinese and North Korean nuclear threats. However, Japanese public has knee-jerk reactions against nuclear weapons due, naturally, to their historical memories of Hiroshima and Nagasaki. Currently, it is unforeseeable that the Japanese public would accept a possession of nuclear weapons. After all, the Japanese nuclear politics is structured much like the Security Treaty where Japan has little say. Hence, Japan cannot make nuclear weapons without US approval.

To complicate the matter even more, a large part of Japanese public believes what kept Japan out of war after 1945 is the war renunciation clause (Article 9) of Japanese Constitution. Many still believe that Japan's renunciation of war brought peace to Japan, disregarding the role of US military presence and its

nuclear weapons. The GHQ-SCAP's prohibition of studies related to military and strategy as well as banning of books on these subjects have played a role in blurring the public's perception toward their security environment.

Fourthly, in terms of budget allocation, a strong public opposition in Japan is likely to be expected against an independent Japanese armed forces and an increase in defense budget. It is commonly considered among the public that the United States is bound to defend Japan in return for Japanese provision of military bases to the United States. Therefore the public supports and prefers maintaining the military alliance with the United States. Japanese public has a deep-seated distrust against their own armed forces due to the "War Guilt Information Program" that the GHQ-SCAP installed during the occupation era. Despite the public's general belief, the treaty does not guarantee an automatic US armed intervention on behalf of Japan. Article 5 of the revised Security Treaty simply states, "*[Each Party] would act to meet the common danger in accordance with its constitutional provisions and processes.*" This paragraph signifies that US armed forces will intervene in an armed conflict in the territory of Japan only upon the Congressional approval. But it is well known that the war power sharing between the American president and Congress is still moot, with or without the War Powers Act (50 U.S.C. ch. 33, 1973). Therefore, the US-Japan security relation is not based on "collective self-defense" but

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rather it is based on two “individual self-defenses,” so to speak. On top of this straightforward interpretation of the Security Treaty, the US government regularly reassures Japan with oral confirmation that “it will intervene in the event of armed attack against Japan.” It is no wonder the majority of Japanese public supports the alliance. In case the U.S. really withdraws from the alliance, a shocked Japan might very well embark upon a military buildup that worries its neighbors. A security dilemma might form in East Asia, destabilizing regional situation.

Lastly, but most importantly, is how Japan will define its national interests if the current system is no longer in place. In the present security arrangement, the United States is unlikely to leverage its direct sway over Japan to force Japan to act against its national interest because any act that is overtly against Japan’s national interest would not be able to win the public support, and the politicians who cave in such US demand would certainly be ousted in the following election. Therefore, the United States has the incentive to masquerade whatever it wants Japan to do into a “Japanese interest.”

An interesting case in point is the so-called “Sea Lane Defense” in the 1980s. Back then, the United States set as its strategic priority to counter formidable Soviet strategic submarines in the Sea of Okhotsk and decided to use Japanese naval and air power to counter the Soviets. However, bluntly

telling the Japanese to take part in the US military strategy and deploy Japanese forces would have likely stirred a strong public opposition. The distrust of Japanese public against anything related to military and war is almost at a pathologic level compared to other states. Therefore, the United States couched this project in Japanese national interest and announced that the sea lane defense in the Sea of Okhotsk is necessary to secure Japan's oil imports. Japan complied, especially after experiencing two oil shocks in the 1970s. However, the reality is far from what the United States argued. According to Ukeru Magosaki, a Japanese diplomat and a former chief in the intelligence division of the Ministry of Foreign Affairs, actually the Soviets gave low priority to attacking sea lanes given its naval deployment postures and military exercises of the time.<sup>57</sup>

In the extreme case where the US interest is gravely detrimental to Japanese interests, such as an armed conflict between Japan and China over Senkaku Islands, the success of US maneuver to metamorphosize its interests into Japanese national interests is slim. In such a case, a more likely scenario is the use of covert means that can be aptly termed as "CIA tricks." The United States has engineered over 100 wars and regime changes,

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<sup>57</sup> Ukeru Magosaki 孫崎享, *Nihon Gaikō: Genba Kara no Shōgen* 日本外交: 現場からの証言 [Japanese Diplomacy: Testimony from the Field], Tokyo: Sogensha, (2015), 162-163.



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as demonstrated by Stephen Kinzer.<sup>58</sup> Some historians on both sides of the Pacific believe that Japanese attack on Pearl Harbor is also of American making. More recently, evidence exists which insinuates the American involvement in anti-Japanese riots in China, and in the media manipulations in Japan which intensify anti-Chinese sentiments among Japanese.

Then the question comes to mind as to what extent Japan influences the United States. The author has found little historical evidence in this regard. Japan's postwar history has been marked by its struggle to regain its political independence from the United States. Among postwar politicians, many of those who tried to pursue and protect Japan's national interests against US intervention had their main policy thrusts curbed or their political career trajectories derailed. Aoi Shigemitsu (重光葵), Hitoshi Ashida (芦田均), Ichiro Hatoyama (鳩山一郎), Tanzan Ishibashi (石橋湛山), Kakuei Tanaka (田中角榮), Ichiro Ozawa (小澤一郎), and Yukio Hatoyama (鳩山由紀夫) are cases in point.<sup>59</sup> On

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<sup>58</sup> *Overthrow: America's Century of Regime Change from Hawaii to Iraq* (New York: Times Books, 2006).

<sup>59</sup> This author is undertaking a research project to use these cases to shed light on American power in Japanese human infrastructure. Detailing how the U.S. curtailed the Japanese politicians' ambitions or careers would not be possible here. Case studies of these seven politicians' demise along the theme of this article should further enlighten our understanding of American influence in the politico-military sphere in Japan. Since Japanese-language books and contemporary journalistic reports abound, I will just give a few bibliographical mentions I deem most probing for each case.

Aoi Shigemitsu 重光葵. *Gaikō iken-sho-shū Dai 2-kan* (*Chūka taishi gaimu daijin jidai jyou*) 外交意見書集 第2 卷(駐華大使・外務大臣時代 上)[Diplomatic

the next level, bureaucrats in the Ministry of Foreign Affairs, the Ministry of Finance, and the Ministry of Economy, Trade, and Industry who tried to pursue a course deemed incongruent with

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*Opinions, Volume 2 (Ambassador to China and Minister of Foreign Affairs (Part 1))*. (Tokyo: Gendaishi Publishing, 2007); Aoi Shigemitsu 重光葵, *Gaikō iken-sho-shū Dai 3-kan (gaimu daijin jidai (ge) sonota) 外交意見書集第3 卷 (外務大臣時代(下)・その他) [Diplomatic Opinions, Volume 3 (Minister of Foreign Affairs (Part 2) and Others)]*. (Tokyo: Gendaishi Publishing, 2007). Hitoshi Ashida 芦田均 and Motoharu Shimokoube 下河辺元春, *Ashida hitoshi nikki 芦田均日記 [Diary of Ashida Hitoshi]*, Vol. 2, ed. Eiichi Shindou 進藤榮一 (Tokyo: Iwanami Shoten, 1986); Hitoshi Ashida 芦田均 and Motoharu Shimokoube 下河辺元春, *Ashida hitoshi nikki 芦田均日記 [Diary of Ashida Hitoshi]*, Vol. 7, ed. Eiichi Shindou 進藤榮一 (Tokyo: Iwanami Shoten, 1986); Ichiro Hatoyama 鳩山一郎, *Hatoyama Ichirō kaiko-roku 鳩山一郎回顧録 [Ichiro Hatoyama's Memoirs]* (Tokyo: Bungeishunjū, 1957); Tanzan Ishibashi 石橋湛山, *Tanzan kaisō 湛山回想 [Tanzan's Recollections]* (Tokyo: Iwanami Shoten, 1985); Hajime Ishii 石井一, *Enzai: tanaka kakuei to rokkido jiken no shinsō 冤罪: 田中角栄とロッキード事件の真相 [False accusation: The truth behind Kakuei Tanaka and the Lockheed scandal]* (Tokyo: Sankei Newspaper Publishing, 2016); Toshihiro Okuyama 奥山俊宏, *Himitsu kaijo rokkido jiken tanaka kakuei wa naze Amerika ni kirawa reta ka 秘密解除 ロッキード事件: 田中角栄はなぜアメリカに嫌われたか [Declassified - Lockheed Scandal: Why was Kakuei Tanaka hated by the United States?]* (Tokyo: Iwanami Shoten, 2016); Karel Van Wolferen, *Jinbutsu hakai dare ga ozawa ichirō o korosu no ka? 人物破壊 誰が小沢一郎を殺すのか? [Character Assassination: Who will kill Ozawa Ichiro?]* (Tokyo: Kadokawa Shoten, 2012); Sadao Hirano 平野貞夫, *Ozawa ichirō kanzen muzai - 'tokkō kensatsu' ga okashita 7tsu no taizai 小沢一郎 完全無罪 - 「特高検察」が犯した7つの大罪 [Ichiro Ozawa: Completely Innocent - The Seven Deadly Crimes Committed by the "Special Higher Prosecutors' Office"]* (Tokyo: Koudansha, 2011); Yukio Hatoyama 鳩山由紀夫, Satoshi Shirai 白井聡, and Akira Kimura 木村朗, *Dare ga kono kuni o ugokashite iru no ka 誰がこの国を動かしているのか [Who is Running This Country?]* (Tokyo: Shisousha, 2017); Yuzuru Magosaki 孫崎享, *America ni tsubusa reta seijika-tachi アメリカに潰された政治家たち [Politicians Ruined by the United States]* (Tokyo: Shougakukan, 2012); Ukeru 孫崎享 Magosaki, *Sengo-shi no shōtai 戦後史の正体 [The Truth of Postwar History]* (Tokyo: Sougensha, 2017), Kindle.

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American preference ran the risk of being removed by the Prime Minister's Office under US influence. The Japanese subservience to the United States deepened with the revision of the Security Treaty in 1960 and again even more so after the end of the Cold War. The postwar Japanese history is marked by an incremental take-over of Japan by the United States.

How Japan defines its national interests in the current US-dominant system will certainly influence Japan's *ménage à trois* with the United States and China. Japan cannot be counted as an independent political actor with regard to China-US relations. Japan's influence in Asia depends on the length of leash allowed by the United States. For example, in March 2025, Taiwan appointed Shigeru Iwasaki (岩崎茂), former head of Japan's Self-Defense Force, as Cabinet adviser. Given the enormous influence the United States exercises over Japan's defense policy as we have seen above, this appointment can be seen as with the endorsement of the United States. If there is to be a conflict in the Taiwan strait, how Japan will react is of huge significance. Legally and technically Japan can be involved in Taiwan strait conflict, with the United States remaining in arrears. In this case, the United States can sap China's power without having to directly confront with China. In the author's view, a war never happens accidentally. It is meticulously planned, and the American history demonstrates that the war is the most profitable business for the Anglo-American ruling class. In this regard, the

appointment of Iwasaki as Taiwan's cabinet adviser can be interpreted as an indication that the United States is reinforcing the military cooperation between Japan and Taiwan and increasing tensions between these three Asian states.

If Japan determines its national interest out of the limits set by the US constraints, Japan may pursue a more lenient rapprochement with China, or at least strike a more balanced position between the United States and China. Japanese political history revealed that when prominent Japanese politicians pursued a policy of rapprochement with China, the United States thwarted their initiatives, and their political careers upset, as aforementioned. Since the early days of Japan's wiggling out of the Occupation, many politicians have continued to voice the importance of improving Japan-China relations. Therefore, if President Trump gets his way with US-Japan relationship, one may see a sea change in East Asia in the future.

## **VI. Conclusion**

This article adopts a historic-legalistic-institutionalist approach to U.S.-Japan military relations since the end of World War II. The analysis shows that the U.S. design-ideas of its military relations with Japan originated in the Atlantic Charter and the U.N. Charter. The design-language is legalistic. From 1945 to this point of time, U.S.-Japan military relations have evolved into

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a junior-senior partnership. This partnership's foundation is the Japan-U.S. Security Treaty (original one as well as the revised one), Japan's Constitution, the treaty's affiliated agreements (be them written on paper or just oral exchanges), secret agreements and treaties, rules and regulations derived from the treaty or agreements, as well as formal organizations (Japan-U.S. Joint Committee, Security Consultative Committee).

Japan's defense apparatus is characterized by the renunciation of war and the right of belligerency, which was originally promoted by the 1941 Atlantic Charter. The UN Charter advocated that every state renounces the right of belligerency and possession of armed forces, and the UN Security Council be the sole guarantor of peace with armed forces at its disposition. This principle was incorporated into Japanese Constitution. Japan is prohibited by Japanese Constitution's Article 9 the right of belligerency and possession of armed forces.

The UN Charter provides two functions to the Japanese security framework: the deployment system of UN Forces (Articles 43 and 106) and the Enemy Clause (Article 53). The UN Force deployment system is the basis of Japan-U.S. military relations, where Japan provides armed forces, bases and other assistance to the United States acting on behalf of the United Nations. This is conditioned on the continuation of the Korean War. The Enemy Clause on the other hand denies the right of

belligerency to Japan, making Japan dependent on the United States for its security.

San Francisco Peace Treaty (a.k.a. Peace Treaty with Japan) consolidated these ideas into Japan's post-war military apparatus. It required Japan to join the United Nations and give the United Nations "every assistance in any action it takes in accordance with the Charter." In other words, the condition for Japan's independence was to provide the United States, under the guise of the United Nations, bases, facilities and armed forces. The Japan-U.S. Security Treaty maps out the exact content of "assistance", which translates into the "all-area base system", the extraterritoriality that covers the entire territory of Japan, and the command of the Japanese armed forces by the United States.

The ideas contained in these historical treaties (the Atlantic Charter, the U.N. Charter, San Francisco Peace Treaty) were realized at various levels of Japanese law-making (including its Constitution) and institutional design. The legal edifice gives the U.S. tremendous influence over Japan in the politico-military sphere. Other than President Trump's recent rhetoric, U.S.-Japan military relations show no signs of wear and tear after eighty years, which is almost eternity in international relations. Should the U.S. withdraw from this security arrangement, East Asia will see a sea change in its international relations.

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The potential U.S. withdrawal from the Japan-U.S. Security Treaty raises significant policy considerations for Japan's defense, governance, and international positioning. The current arrangement has long placed Japan's defense under substantial American control via the Japan-U.S. Joint Committee. The end of this security alliance would mean the removal of U.S. extraterritorial military privileges, thereby restoring full Japanese sovereignty over its territory and military affairs. This would also allow Japan to rebuild its independent military strategy, revive strategic and geopolitical studies previously suppressed, and establish autonomous intelligence capabilities.

From an institutional standpoint, dissolving the Japan-U.S. Joint Committee would reshape Japan's bureaucratic power structures. Currently, the U.S. exerts indirect influence over key positions in the Ministry of Justice and the judiciary, particularly through the appointment pipeline involving the Prosecutor General. Furthermore, Japan's Supreme Court has historically subordinated constitutional principles to treaty obligations with the U.S., effectively sidelining domestic legal authority. Terminating the alliance would restore constitutional primacy and judicial independence, enhancing Japan's rule of law.

In terms of foreign and economic policy, U.S. military leverage has had broad implications beyond defense. Notably, Japan's economic autonomy has been constrained, exemplified by

U.S. intervention in Japan's 1997 proposal for an Asian Monetary Fund. American pressure forced Japan to abandon the initiative, reflecting how military dominance can influence financial policy. A U.S. military withdrawal would likely open space for Japan to pursue independent economic strategies and redefine its national interest, though the U.S. may maintain influence through covert intelligence, financial networks, and political support systems such as the LDP-CIA relationship established in the postwar era.

However, domestic political and public opinion factors complicate the picture. Japan's pacifist orientation and distrust of military expansion—rooted in postwar education policies and media control—make rearmament or nuclear armament politically difficult. The public's belief in Article 9 and skepticism of national militarization may resist any move toward full defense independence, even in the face of declining U.S. support. Moreover, budgetary and institutional inertia, along with political influence from the U.S., continue to inhibit Japan's strategic autonomy.

Finally, Japan's role in U.S.-China relations is likely to remain constrained unless it successfully redefines its national interest independent of American frameworks. Past efforts at rapprochement with China have been curtailed under U.S. pressure, undermining Japan's diplomatic freedom. Future scenarios—such as tensions in the Taiwan Strait—could see Japan pulled into conflict in ways that primarily serve U.S. strategic



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goals, not Japanese ones. As such, the evolution of Japan's security identity, post-U.S. alliance, is not solely a matter of military capacity but of political will, institutional restructuring, and a reorientation of national priorities toward true strategic autonomy.

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## **Impacts of free trade agreements on Vietnam's export efficiency: Efficiency enhancement or compliance cost?**

**Nguyen Khanh Doanh,\* Nguyen Thi Hong,\*\*  
Nguyen Thi Ngan\*\*\***

### **Abstract**

*This study aims to answer whether joining Free Trade Agreements (FTAs) increases or decreases Vietnam's export efficiency, taking into account the role of institutional similarity. It is the first study to analyze the moderating role of institutional similarity in the relationship between FTAs and export efficiency. Using Stochastic Frontier Analysis (SFA), the study finds several important results. First, FTAs improve Vietnam's export efficiency, including total, agricultural, and non-agricultural exports. This finding supports the efficiency-enhancing hypothesis. Second, institutional similarity has a moderating effect. It strengthens the positive and significant impact of FTAs on export efficiency in all product categories. The findings support the institutional complementarity view under the framework of transaction cost*

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*economics. Institutional similarity enhances the benefits of FTAs by reducing uncertainty, enforcement risks, and compliance costs in international trade.*

**Keywords:** FTA, institutional similarity, export efficiency, transaction cost theory, stochastic frontier analysis, Vietnam.

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### I. Introduction

In the context of globalization, Free Trade Agreements (FTAs) have become increasingly important tools for developing countries to promote trade.<sup>1</sup> Beyond tariff reductions, modern FTAs tend to include broader commitments related to institutions, the environment, and intellectual property. In practice, they facilitate smoother trade flows by reducing trade barriers,<sup>2</sup> encourage domestic reforms,<sup>3</sup> and support deeper integration into global value chains.<sup>4</sup> However, they also pose challenges

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<sup>1</sup> Athanasia Stylianou Kalaitzi and Trevor W. Chamberlain, "Exports and Economic Growth: Some Evidence from the GCC," *International Advances in Economic Research* 26, no. 2 (2020), <https://doi.org/10.1007/s11294-020-09786-0>.

<sup>2</sup> Neha Jain and Sandeep Kumar, "Examining the impact of India–USA free trade agreement on agriculture sector: an ex-ante partial equilibrium analysis," *Journal of Economic and Administrative Sciences* 41, no. 1 (2022), <https://doi.org/10.1108/jeas-12-2021-0272>; Yichen Yang and Wen Liu, "Free trade agreements and domestic value added in exports: An analysis from the network perspective," *Economic Modelling* 132 (2024), <https://doi.org/10.1016/j.econmod.2024.106656>.

<sup>3</sup> Masahiro Kawai and Ganeshan Wignaraja, "Asian FTAs: Trends, prospects and challenges," *Journal of Asian Economics* 22, no. 1 (2011), <https://doi.org/10.1016/j.asieco.2010.10.002>; Aaditya Mattoo, Alen Mulabdic, and Michele Ruta, "Trade creation and trade diversion in deep agreements," *Canadian Journal of Economics/Revue canadienne d'économie* 55, no. 3 (2022), <https://doi.org/10.1111/caje.12611>.

<sup>4</sup> Dongin Kim, Sandro Steinbach, and Carlos Zurita, "Deep trade agreements and agri-food global value chain integration," *Food Policy* 127 (2024), <https://doi.org/10.1016/j.foodpol.2024.102686>; Mattoo, Mulabdic, and Ruta, "Trade creation and trade diversion in deep agreements," 55,3.

concerning costs and the ability to comply with FTA commitments.<sup>5</sup>

Empirical studies reveal conflicting evidence regarding the impact of FTA membership on export efficiency. On one hand, FTAs are considered effective tools for improving export performance by removing trade barriers,<sup>6</sup> a perspective often referred to as the efficiency-enhancing hypothesis. Ravishankar and Stack shows that CEFTA and BAFTA enabled Eastern European countries to move actual trade closer to their maximum potential.<sup>7</sup> Similarly, Vietnam's accession to AFTA reflects this trend, with an estimated export coefficient of 0.3219.<sup>8</sup> In addition, Noviyani et al. confirms that FTAs have a positive effect on

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<sup>5</sup> Gabriel Felbermayr, Feodora Teti, and Erdal Yalcin, "Rules of origin and the profitability of trade deflection," *Journal of International Economics* 121 (2019), <https://doi.org/10.1016/j.jinteco.2019.07.003>; Stefan Legge and Piotr Lukaszuk, "The firm-level costs of utilizing free trade agreements," *International Economics* 178 (2024), <https://doi.org/10.1016/j.inteco.2024.100484>.

<sup>6</sup> Jain and Kumar, Examining the impact of India–USA free trade agreement on agriculture sector: an ex-ante partial equilibrium analysis."; Yang and Liu, "Free trade agreements and domestic value added in exports: An analysis from the network perspective."

<sup>7</sup> Geetha Ravishankar and Marie M. Stack, "The Gravity Model and Trade Efficiency: A Stochastic Frontier Analysis of Eastern European Countries' Potential Trade," *The World Economy* 37, no. 5 (2014), <https://doi.org/10.1111/twec.12144>.

<sup>8</sup> Hai, Nguyen Thi Hong, and Doan Ngoc Thang. "The Asean Free Trade Agreement and Vietnam's Trade Efficiency." *Asian Social Science* 13, no. 4 (2017). <https://doi.org/10.5539/ass.v13n4p192>.



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export efficiency through the reduction of bilateral barriers.<sup>9</sup> The case of India further supports this argument, as Kaushal reports an efficiency level of 73% under bilateral agreements such as the ASEAN-India FTA.<sup>10</sup>

Beyond tariff elimination, FTAs also function as “institutional anchors” that promote domestic reforms. For instance, the CUFTA agreement stimulated administrative and legal reforms through binding “WTO-plus” commitments.<sup>11</sup> In Ghana, the depth of PTAs helped reduce export inefficiencies in manufacturing and mineral sectors,<sup>12</sup> attributed to a firm-selection mechanism based on the Melitz model.<sup>13</sup> Moreover, Stack et al. reports high bilateral trade efficiency

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<sup>9</sup> Dewi Solikhah Noviyani, Widyastutik Na, and Tony Irawan, "Indonesian Export Efficiency : A Stochastic Frontier Gravity Model Approach," *International Journal of Scientific Research in Science, Engineering and Technology* (2019), <https://doi.org/10.32628/ijrsrset1196190>.

<sup>10</sup> Leena Ajit Kaushal, "Impact of regional trade agreements on export efficiency – A case study of India," *Cogent Economics & Finance* 10, no. 1 (2022), <https://doi.org/10.1080/23322039.2021.2008090>.

<sup>11</sup> Iryna Bogdanova, "Turning Crisis into Opportunity: Unfolding Ukraine's Trade Potential with the Canada-Ukraine Free Trade Agreement," *East/West: Journal of Ukrainian Studies* 8, no. 2 (2021), <https://doi.org/10.21226/ewjus561>.

<sup>12</sup> Camara K. Obeng, Michael Tutu Boadu, and Ewura-Adwoa Ewusie, "Deep preferential trade agreements and export efficiency in Ghana: Do institutions matter?," *Research in Globalization* 6 (2023), <https://doi.org/10.1016/j.resglo.2023.100112>.

<sup>13</sup> Marc J. Melitz, "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica* 71, no. 6 (2003), <https://doi.org/10.1111/1468-0262.00467>.

between Western European countries and new members during the period 1995–2022.<sup>14</sup> Similarly, Masunda and Mhonyera finds that the FTA under the Common Market for Eastern and Southern Africa (COMESA) positively influenced the export efficiency of member states from 1997 to 2021.<sup>15</sup> Recently, Cheng et al. shows that the implementation of RCEP contributed to higher export efficiency across China's agricultural value chain.<sup>16</sup>

On the other hand, FTA participation has been found to reduce export efficiency, a view known as the compliance cost hypothesis. This suggests that joining FTAs does not always lead to improved trade performance.<sup>17</sup> For example, Drysdale et al. indicates that both the EU and NAFTA had adverse effects on trade efficiency.<sup>18</sup> Likewise, Kumar and Prabhakar reports that

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<sup>14</sup> Stack, Marie M, Eric J Pentecost, and Geetha Ravishanka. "A Stochastic Frontier Analysis of Trade Efficiency for the New Eu Member States: Implications of Brexit." *Economic Issues* 23 (2018): 35-53.

<sup>15</sup> Stein Masunda and Gabriel Mhonyera, "Effects of free trade on export efficiency of COMESA member-states," *Journal of Shipping and Trade* 9, no. 1 (2024), <https://doi.org/10.1186/s41072-024-00164-1>.

<sup>16</sup> Haiwen Cheng, Yang Sun, and Wen Liu, "Unlocking the efficiency and potential of China's agricultural exports to RCEP member countries: perspectives on the entire agricultural industry chain," *China Agricultural Economic Review* (2025), <https://doi.org/10.1108/caer-10-2024-0342>.

<sup>17</sup> C. Abreo, R. Bustillo, and C. Rodríguez, "The role of institutional quality in the international trade of a Latin American country: evidence from Colombian export performance," *J Econ Struct* 10, no. 1 (2021), <https://doi.org/10.1186/s40008-021-00253-5>, <https://www.ncbi.nlm.nih.gov/pubmed/34815926>.

<sup>18</sup> P. Drysdale, Y. Huang, and K. P. Kalirajan, "China's trade efficiency: measurement and determinants," in *APEC and Liberalization of the Chinese*

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India's export efficiency with SAFTA members (41%) was significantly lower than with non-member partners (61%).<sup>19</sup> In addition, Doan and Xing highlights that complex rules of origin (RoO) within FTAs can unintentionally create new trade barriers.<sup>20</sup> This may apply in cases of similar export structures, such as between Vietnam and China, which can reduce trade efficiency.

In addition, inconsistent implementation of FTAs and the inclusion of non-trade obligations may have unintended negative effects. Trung et al. finds that Vietnam's trade efficiency declined sharply after the ASEAN FTAs took effect, due to underutilization of emerging opportunities.<sup>21</sup> Obeng et al. shows that environmental clauses in PTAs increased compliance costs, which hindered Ghana's export performance.<sup>22</sup> Notably, Cheng et al. points out that a large and overlapping number of FTAs has led to

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*Economy*, ed. P. Drysdale, Z. Yunling, and L. Song (Canberra: ANU E Press, 2012).

<sup>19</sup> Surender Kumar and Purna Prabhakar, "India's Trade Potential and Free Trade Agreements: A Stochastic Frontier Gravity Approach," *Global Economy Journal* 17, no. 1 (2017), <https://doi.org/10.1515/gej-2016-0074>.

<sup>20</sup> Thang N. Doan and Yuqing Xing, "Trade efficiency, free trade agreements and rules of origin," *Journal of Asian Economics* 55 (2018), <https://doi.org/10.1016/j.asieco.2017.12.007>.

<sup>21</sup> Nguyen Xuan Trung, Nguyen Duc Hung, and Nguyen Thi Hien, "Exploiting the Trade Potential from Integration: Analysing the Impact of Free Trade Agreements between ASEAN and India and China," *China Report* 54, no. 4 (2018), <https://doi.org/10.1177/0009445518795999>.

<sup>22</sup> Obeng, Boadu, and Ewusie, "Deep preferential trade agreements and export efficiency in Ghana: Do institutions matter?," 100112.

a “spaghetti bowl” effect.<sup>23</sup> This raised administrative costs and reduced the export efficiency of China’s agricultural sector. Thus, without accompanying institutional reforms and well-designed policies, FTAs may act as barriers rather than drivers of trade growth.

As the two effects mentioned above tend to offset each other, the impact of FTAs on export efficiency depends on several intermediary conditions.<sup>24</sup> First, Obeng et al. finds that in Ghana, FTAs show clear positive effects only when accompanied by strong domestic regulatory quality.<sup>25</sup> Similarly, Masunda and Mhonyera confirms that each 1% improvement in governance quality reduces export inefficiency under the COMESA FTA by 0.16%.<sup>26</sup> At the same time, Xiao and Abula notes that firms tend to favor trade with countries that have stable institutional environments. Second, economic crises such as the GFC or GEC may weaken the effectiveness of FTAs.<sup>27</sup> Chatzilazarou and

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<sup>23</sup> Cheng, Sun, and Liu, "Unlocking the efficiency and potential of China’s agricultural exports to RCEP member countries: perspectives on the entire agricultural industry chain."

<sup>24</sup> Lazaros Antonios Chatzilazarou and Dimitrios Dadakas, "Trade potential in European Union manufacturing," *Journal of Economic Studies* 51, no. 5 (2023), <https://doi.org/10.1108/jes-06-2023-0292>.

<sup>25</sup> Obeng, Boadu, and Ewusie, "Deep preferential trade agreements and export efficiency in Ghana: Do institutions matter?," 100112.

<sup>26</sup> Masunda and Mhonyera, "Effects of free trade on export efficiency of COMESA member-states," 9,1.

<sup>27</sup> Yuting Xiao and Buwajian Abula, "Examining the Impact of Digital Economy on Agricultural Trade Efficiency in RCEP Region: A Perspective Based on Spatial Spillover Effects," *Journal of the Knowledge Economy* 15, no. 3 (2023), <https://doi.org/10.1007/s13132-023-01484-6>.

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Dadakas indicates that crises force firms to restructure supply chains, shift toward lower-cost partners, and delay market expansion.<sup>28</sup> Third, the digital economy serves as a catalyst, especially in the RCEP region. According to Xiao and Abula, it helps lower transaction costs, upgrade trade value chains, and enhance agricultural export efficiency.<sup>29</sup>

Based on the above findings, it is evident that the role of institutional similarity in the relationship between FTAs and export efficiency remains underexplored, especially in the context of Vietnam. At present, Vietnam is a member of various bilateral and multilateral FTAs, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-Vietnam Free Trade Agreement (EVFTA), and the Regional Comprehensive Economic Partnership (RCEP). Despite the substantial benefits brought by regional economic integration, Vietnam's exports have not yet reached their full potential in many partner markets.<sup>30</sup> The gap between actual and potential export levels highlights the need to examine the conditions under

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<sup>28</sup> Chatzilazarou and Dadakas, "Trade potential in European Union manufacturing," 1144-63.

<sup>29</sup> Xiao and Abula, "Examining the Impact of Digital Economy on Agricultural Trade Efficiency in RCEP Region: A Perspective Based on Spatial Spillover Effects," 9907 - 34.

<sup>30</sup> Doan and Xing, "Trade efficiency, free trade agreements and rules of origin," 33-41; Nguyen Khanh Doanh, Linh Tuan Truong, and Yoon Heo, "Impact of institutional and cultural distances on ASEAN's trade efficiency," *Journal of Economic Studies* 49, no. 1 (2020), <https://doi.org/10.1108/jes-07-2020-0343>.

which FTA membership can be transformed into optimal export efficiency. Recognizing this knowledge gap, the objective of this paper is to address the following questions:

- What is the current level of Vietnam's bilateral export efficiency with its trading partners?
- How do free trade agreements (FTAs) affect Vietnam's export efficiency?
- Does institutional quality similarity play a role in enhancing the impact of FTAs on Vietnam's export efficiency?

This study contributes to strengthening and extending the transaction cost theory originally proposed by Coase (1937) and expanded by Williamson (1985).<sup>31</sup> Specifically, our findings support the argument that institutions play a critical role in reducing transaction costs. When two countries share similar institutional frameworks, costs related to information search, contract negotiation, regulatory compliance, and dispute resolution decline significantly. This enables Vietnamese firms to improve their export efficiency. Moreover, our study extends the theory by incorporating institutional similarity into the

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<sup>31</sup> R. H. Coase, "The Nature of the Firm," *Economica* 4, no. 16 (1937), <https://doi.org/10.1111/j.1468-0335.1937.tb00002.x>; Oliver E. Williamson, *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting* (New York: The Free Press, 1985).

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effectiveness of FTA implementation. The role of FTAs in enhancing export efficiency is not automatic. Instead, it is amplified when member countries share a high degree of institutional similarity. This contributes to the development of a new research avenue on the interaction between FTAs and institutional complementarity.

The remainder of this paper is structured as follows. Section 2 presents the theoretical framework for analyzing the impact of FTAs on export efficiency, along with the role of institutional similarity in this relationship. Section 3 introduces the analytical model and data sources. Section 4 provides the empirical results, discussion, and policy implications. Section 5 concludes the paper and suggests directions for future research.

## **II. Theoretical framework**

According to Kumbhakar et al., there are two main approaches to estimating export efficiency. The output-oriented approach operates under the assumption of fixed inputs and assesses the maximum level of exports a country can achieve if existing resources are used most efficiently.<sup>32</sup> Under this approach, export efficiency is defined as the ratio of actual export volume to potential export volume (i.e., the maximum attainable

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<sup>32</sup> Subal C. Kumbhakar, Hung-Jen Wang, and Alan P. Horncastle, *A practitioner's guide to stochastic frontier analysis using Stata* (NY: Cambridge University Press, 2015).

exports under ideal conditions). This method is widely applied in empirical studies at the national level.<sup>33</sup>

In contrast, the input-oriented approach focuses on answering the question: “Given the current level of exports, how much of the existing resources could a country save if it operated at maximum efficiency?”<sup>34</sup> This approach is commonly applied in industry-level or firm-level studies. Under this framework, export efficiency is viewed as a form of technical efficiency that reflects the ability to optimize the use of production inputs.<sup>35</sup>

Since our study aims to assess the factors affecting Vietnam’s export inefficiency at the national level, we adopt the output-oriented approach. Under this framework, export inefficiency is defined as the gap between Vietnam’s potential export volume and its actual export volume. In other words, it represents the “untapped export potential” caused by barriers that hinder the free flow of trade.<sup>36</sup>

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<sup>33</sup> Doan and Xing, "Trade efficiency, free trade agreements and rules of origin," 33-41; Drysdale, Huang, and Kalirajan, "China's trade efficiency: measurement and determinants," 259-71; Masunda and Mhonyera, "Effects of free trade on export efficiency of COMESA member-states," 9,1.

<sup>34</sup> Kumbhakar, Wang, and Horncastle, *A practitioner's guide to stochastic frontier analysis using Stata*.

<sup>35</sup> Hakimah Nur Ahmad Hamidi et al., "Technical Efficiency and Export Potential of the World Palm Oil Market," *Agriculture* 12, no. 11 (2022), <https://doi.org/10.3390/agriculture12111918>.

<sup>36</sup> Stack, Pentecost, and Ravishankar, "A Stochastic Frontier Analysis of Trade Efficiency for the New EU Member States: Implications of Brexit," 35-53; H. Xu, D. T. Nghia, and N. H. Nam, "Determinants of Vietnam's potential for



### **A. Impact of FTAs on trade efficiency**

Theoretically, joining FTAs can lead to two opposing effects on export efficiency. On the positive side, FTAs contribute to improved trade efficiency.<sup>37</sup> One of the main objectives of FTAs is to reduce trade barriers. Tariff reductions not only lower direct costs but also help firms use resources more efficiently.<sup>38</sup> At the same time, non-tariff barriers impose significant indirect costs on businesses. These barriers extend processing times and generate substantial compliance costs.<sup>39</sup> In fact, FTAs have attempted to address these issues by harmonizing regulations and standards among member countries and by enhancing the transparency of technical and sanitary measures.<sup>40</sup>

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agricultural export trade to Asia-Pacific economic cooperation (APEC) members," *Heliyon* 9, no. 2 (Feb 2023), <https://doi.org/10.1016/j.heliyon.2023.e13105>, <https://www.ncbi.nlm.nih.gov/pubmed/36755617>; Guimei Zhao et al., "Measuring trade efficiency of antimony products in China," *Journal of Cleaner Production* 486 (2025), <https://doi.org/10.1016/j.jclepro.2024.144440>.

<sup>37</sup> Doan and Xing, "Trade efficiency, free trade agreements and rules of origin," 33-41; Masunda and Mhonyera, "Effects of free trade on export efficiency of COMESA member-states."; Nguyen and Doan, "The ASEAN Free Trade Agreement and Vietnam's Trade Efficiency," 192-200.

<sup>38</sup> Mary Amiti and Jozef Konings, "Trade Liberalization, Intermediate Inputs, and Productivity: Evidence from Indonesia," *American Economic Review* 97, no. 5 (2007), <https://doi.org/10.1257/aer.97.5.1611>.

<sup>39</sup> Olivier Cadot and Julien Gourdon, "Non-tariff measures, preferential trade agreements, and prices: new evidence," *Review of World Economics* 152, no. 2 (2016), <https://doi.org/10.1007/s10290-015-0242-9>.

<sup>40</sup> Ilaria Fusacchia, Jean Balié, and Luca Salvatici, "The AfCFTA impact on agricultural and food trade: a value added perspective," *European Review of*

In addition, FTAs help promote the pro-competitive effect.<sup>41</sup> Preferential treatment for intra-bloc products lowers the cost of entering foreign markets.<sup>42</sup> This encourages more firms to engage in export activities. According to Crowley et al., the increase in the number of firms competing in the same market intensifies rivalry among exporters.<sup>43</sup> To maintain market share under pressure, firms are forced to optimize operations, logistics, and services.<sup>44</sup> As a result, FTAs enhance overall export efficiency both in scale and in depth.

Moreover, the export efficiency gains from FTAs are often reflected through a gradual and positive adjustment process toward greater efficiency. Empirical studies show that the impact of FTAs does not usually emerge immediately after the agreements take

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*Agricultural Economics* 49, no. 1 (2022), <https://doi.org/10.1093/erae/jbab046>; Mussie Mindaye, Carlo Migliardo, and Tadele Ferede, "Heterogeneous effects of free trade areas (FTAs) on trade in Africa," *SN Business & Economics* 5, no. 6 (2025), <https://doi.org/10.1007/s43546-025-00822-x>.

<sup>41</sup> Meredith A. Crowley, Lu Han, and Thomas Prayer, "The pro-competitive effects of trade agreements," *Journal of International Economics* 150 (2024), <https://doi.org/10.1016/j.jinteco.2024.103936>.

<sup>42</sup> Masunda and Mhonyera, "Effects of free trade on export efficiency of COMESA member-states."; Mussie Mindaye, Carlo Migliardo, and Tadele Ferede, "Heterogeneous effects of free trade areas (FTAs) on trade in Africa,"

<sup>43</sup> Felipe Brugués et al., "The impact of NAFTA on prices and competition: Evidence from Mexican manufacturing plants," *Journal of International Economics* 155 (2025), <https://doi.org/10.1016/j.jinteco.2025.104085>; Crowley, Han, and Prayer, "The pro-competitive effects of trade agreements," 103936.

<sup>44</sup> Crowley, Han, and Prayer, "The pro-competitive effects of trade agreements," 103936.

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effect.<sup>45</sup> One reason is that government agencies need time to implement enforcement mechanisms and support domestic firms in accessing foreign markets.<sup>46</sup> At the same time, firms require time to adapt to trade policy changes, restructure supply chains, and meet the demands of export markets.<sup>47</sup> Active participation in this adjustment process allows both firms and the state to accumulate experience and maintain high performance standards. Over time, this fosters a culture of efficiency.

On the negative side, joining FTAs may reduce export efficiency due to various barriers and additional costs. First, RoO can impose heavy administrative burdens.<sup>48</sup> According to Legge and Lukaszuk, in order to receive preferential treatment, firms

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<sup>45</sup> Peter H. Egger, Mario Larch, and Yoto V. Yotov, "Gravity Estimations with Interval Data: Revisiting the Impact of Free Trade Agreements," *Economica* 89, no. 353 (2021), <https://doi.org/10.1111/ecca.12394>; Fredrik Gisselman, Erik Merkus, and Nils Norell, "Boosting trade in environmental goods. Evidence from provisions in free trade agreements," *World Development Sustainability* 6 (2025), <https://doi.org/10.1016/j.wds.2024.100195>; Kim, Steinbach, and Zurita, "Deep trade agreements and agri-food global value chain integration."; Yang and Liu, "Free trade agreements and domestic value added in exports: An analysis from the network perspective."

<sup>46</sup> Chae-Deug Yi, "The United Kingdom-Korea-Japan free trade agreement with the reduction in tariffs and non-tariff measures on trade and welfare," *Asia Europe Journal* 23, no. 1 (2025/03/01 2025), <https://doi.org/10.1007/s10308-025-00722-7>, <https://doi.org/10.1007/s10308-025-00722-7>.

<sup>47</sup> Egger, Larch, and Yotov, "Gravity Estimations with Interval Data: Revisiting the Impact of Free Trade Agreements."; Daniel Trefler, "The Long and Short of the Canada-U.S. Free Trade Agreement," *American Economic Review* 94, no. 4 (2004), <https://doi.org/10.1257/0002828042002633>.

<sup>48</sup> Felbermayr, Teti, and Yalcin, "Rules of origin and the profitability of trade deflection," 103248.

must complete paperwork, obtain certifications, and adjust supply chains to meet intra-bloc requirements.<sup>49</sup> In addition, technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures in new-generation FTAs require strict compliance in terms of technology investment, quality management, and product inspection. Obeng et al. argues that complying with these extensive rules and standards demands strong state commitment, effective institutions, and adequate infrastructure.<sup>50</sup> Particularly when FTAs differ significantly in such requirements, firms seeking access to multiple markets may face substantial costs.

In many cases, joining an FTA may lead countries or firms to over-concentrate on intra-bloc markets, overlooking extra-bloc markets that offer greater cost advantages.<sup>51</sup> This results in higher input costs due to not sourcing from the most efficient external suppliers. Furthermore, as Crowley et al. argues, FTAs increase competitive pressure through market liberalization.<sup>52</sup> If domestic firms are forced out of the market, the economy may bear significant social costs and face the need for structural adjustment.

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<sup>49</sup> Legge and Lukaszuk, "The firm-level costs of utilizing free trade agreements."

<sup>50</sup> Obeng, Boadu, and Ewusie, "Deep preferential trade agreements and export efficiency in Ghana: Do institutions matter?" 100112.

<sup>51</sup> Fusacchia, Balié, and Salvatici, "The AfCFTA impact on agricultural and food trade: a value added perspective."; Shanping Yang and Inmaculada Martinez-Zarzoso, "A panel data analysis of trade creation and trade diversion effects: The case of ASEAN–China Free Trade Area," *China Economic Review* 29 (2014), <https://doi.org/10.1016/j.chieco.2014.04.002>.

<sup>52</sup> Crowley, Han, and Prayer, "The pro-competitive effects of trade agreements."

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Finally, participation in multiple FTAs creates overlapping regulations, often referred to as the “spaghetti bowl effect.”<sup>53</sup> This places firms in a maze of procedures and standards that require substantial resources to navigate.<sup>54</sup> Most developing countries lack the institutional capacity and infrastructure needed to manage these agreements effectively.

**B. The moderating effect of institutional similarity on  
the relationship between FTAs and export efficiency**

Institutional similarity plays a critical moderating role in the impact of FTAs on export efficiency between two countries.<sup>55</sup> This role is best understood through the lens of transaction cost theory.<sup>56</sup> The theory has received strong empirical support, highlighting how transaction costs hinder trade flows. It is especially relevant in this context, where firms face not only production, transport, and administrative costs but also transaction

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<sup>53</sup> Fusacchia, Balié, and Salvatici, "The AfCFTA impact on agricultural and food trade: a value added perspective."; Scott L. Baier et al., "Do Economic Integration Agreements Actually Work? Issues in Understanding the Causes and Consequences of the Growth of Regionalism," *The World Economy* 31, no. 4 (2008), <https://doi.org/10.1111/j.1467-9701.2008.01092.x>.

<sup>54</sup> Legge and Lukaszuk, "The firm-level costs of utilizing free trade agreements."; Obeng, Boadu, and Ewusie, "Deep preferential trade agreements and export efficiency in Ghana: Do institutions matter?"

<sup>55</sup> Obeng, Boadu, and Ewusie, "Deep preferential trade agreements and export efficiency in Ghana: Do institutions matter?."; Doanh, Truong, and Heo, "Impact of institutional and cultural distances on ASEAN's trade efficiency."

<sup>56</sup> Coase, "The Nature of the Firm."; Williamson, *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting*.

costs shaped by the institutional environments of their trade partners. Institutional similarity refers to the alignment in laws, regulations, governance systems, business practices, and cultural norms between two trading countries. Such alignment promotes a more compatible, predictable, and trustworthy environment, thereby reducing both adaptation and transaction costs.

First, FTAs primarily focus on removing tangible barriers such as tariffs and quotas. However, complex issues, hidden costs, and potential risks often arise from differences in business environments.<sup>57</sup> When two FTA member countries have similar institutional systems, they are more likely to share compatible legal frameworks, administrative procedures, business environments, and contract enforcement mechanisms.<sup>58</sup> According to de Groot et al. and Liu et al. , this compatibility allows traders from both countries to become familiar with each other's business

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<sup>57</sup> Robert Z. Lawrence, *Regionalism, Multilateralism, and Deeper Integration (Integrating National Economies: Promise & Pitfalls)* (Washington, D. C.: The Brookings Institution, 1996); Henri L. F. de Groot et al., "The Institutional Determinants of Bilateral Trade Patterns," *Kyklos* 57, no. 1 (2004), <https://doi.org/10.1111/j.0023-5962.2004.00245.x>, <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.0023-5962.2004.00245.x>; Henri L. F. de Groot, Gert-Jan M. Linders, and Piet Rietveld, "Institutions, Governance and International Trade," *IATSS Research* 29, no. 2 (2005), [https://doi.org/10.1016/s0386-1112\(14\)60130-8](https://doi.org/10.1016/s0386-1112(14)60130-8).

<sup>58</sup> Gene M. Grossman, Phillip McCalman, and Robert W. Staiger, "The "New" Economics of Trade Agreements: From Trade Liberalization to Regulatory Convergence?," *Econometrica* 89, no. 1 (2021), <https://doi.org/10.3982/ecta17536>.

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environments.<sup>59</sup> It enhances predictability in trade relations,<sup>60</sup> builds mutual trust,<sup>61</sup> and reduces transaction costs.<sup>62</sup> As a result, the implementation of FTA commitments becomes more feasible both technically and administratively. This ease of implementation encourages firms to invest in meeting FTA standards to access preferential treatment. Such efforts are particularly important as they enable businesses to optimize export operations and engage more deeply in global supply chains,<sup>63</sup> thereby improving export efficiency.

Second, when an FTA is formed among countries with differing institutional qualities, the cost of adjustment tends to rise,<sup>64</sup> and the impact of the FTA varies across member states.<sup>65</sup>

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<sup>59</sup> Yang Chen et al., "Make friends, not money: How Chinese enterprises select transport infrastructure investment locations along the Belt and Road," *Transport Policy* 101 (2021), <https://doi.org/10.1016/j.tranpol.2020.12.005>; de Groot et al., "The Institutional Determinants of Bilateral Trade Patterns."; Ailan Liu, Cuicui Lu, and Zhixuan Wang, "The roles of cultural and institutional distance in international trade: Evidence from China's trade with the Belt and Road countries," *China Economic Review* 61 (2020), <https://doi.org/10.1016/j.chieco.2018.10.001>.

<sup>60</sup> de Groot et al., "The Institutional Determinants of Bilateral Trade Patterns," 103-23.

<sup>61</sup> de Groot et al., "The Institutional Determinants of Bilateral Trade Patterns," 103-23.

<sup>62</sup> Talles Girardi de Mendonça et al., "Institutions and Bilateral Agricultural Trade," *Procedia Economics and Finance* 14 (2014/01/01/ 2014), [https://doi.org/10.1016/s2212-5671\(14\)00699-6](https://doi.org/10.1016/s2212-5671(14)00699-6), <http://www.sciencedirect.com/science/article/pii/S2212567114006996>.

<sup>63</sup> Kim, Steinbach, and Zurita, "Deep trade agreements and agri-food global value chain integration," 102686.

<sup>64</sup> Liu, Lu, and Wang, "The roles of cultural and institutional distance in international trade: Evidence from China's trade with the Belt and Road

Countries with stronger institutional frameworks often find it easier to comply with and implement FTA regulations.<sup>66</sup> This is one reason why Kim et al. shows that developed countries benefit the most from integration into global value chains.<sup>67</sup> In contrast, countries with weaker institutions often lack the capacity and infrastructure to fulfill commitments and manage FTAs effectively.<sup>68</sup> As Kawai and Wignaraja points out, these countries require financial and technical assistance to bridge development gaps, especially in areas such as customs modernization, SME development, governance reform, and capacity building.<sup>69</sup> These needs increase adjustment costs and reduce trade efficiency.

Third, an FTA can only be effective if it is implemented efficiently through coordination among member countries. According to Martínez-Zarzoso and Arregui Coka; Wang and

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countries."; Leonardo Baccini, "Cheap talk: Transaction costs, quality of institutions, and trade agreements," *European Journal of International Relations* 20, no. 1 (2012), <https://doi.org/10.1177/1354066112443272>; Štefan Bojnec and Imre Fertő, "The institutional determinants of bilateral Agricultural and food trade," *Applied Studies in Agribusiness and Commerce* 3, no. 3-4 (2009), <https://doi.org/10.19041/apstract/2009/3-4/12>.

<sup>65</sup> Mattoo, Mulabdic, and Ruta, "Trade creation and trade diversion in deep agreements," 1598-637.

<sup>66</sup> Baccini, "Cheap talk: Transaction costs, quality of institutions, and trade agreements," 80-117.

<sup>67</sup> Kim, Steinbach, and Zurita, "Deep trade agreements and agri-food global value chain integration," 102686.

<sup>68</sup> Obeng, Boadu, and Ewusie, "Deep preferential trade agreements and export efficiency in Ghana: Do institutions matter?," 100112.

<sup>69</sup> Kawai and Wignaraja, "Asian FTAs: Trends, prospects and challenges," 1-22.



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Wang, countries with institutional similarity tend to coordinate more easily in developing coherent implementation mechanisms.<sup>70</sup> When government agencies across member states share similar administrative mindsets and procedures, they can avoid inconsistencies in interpreting and applying FTA provisions. Moreover, institutional similarity enhances perceptions of partner reliability and predictability,<sup>71</sup> while also reducing the cost of cooperation.<sup>72</sup> This creates a foundation for more effective coordination and information sharing among regulatory authorities in FTA member states. Mutual recognition of technical inspections, harmonization of customs procedures, and trade data exchange help shorten processing times, reduce administrative costs, and improve the practical enforcement of FTAs.<sup>73</sup> Thus, institutional

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<sup>70</sup> Inmaculada Martínez-Zarzoso and Daniela Arregui Coka, "Do trade agreements contribute to technology internationalization?," *The Journal of International Trade & Economic Development*, <https://doi.org/10.1080/09638199.2025.2482549>, <https://doi.org/10.1080/09638199.2025.2482549>; Y. Wang and J. Wang, "Institutional distance, trade agreements, and intellectual property trade networks: Evidence from cross-border data," *PLoS One* 20, no. 2 (2025), <https://doi.org/10.1371/journal.pone.0309009>, <https://www.ncbi.nlm.nih.gov/pubmed/39899526>.

<sup>71</sup> Asif Efrat and Abraham L. Newman, "Divulging data: Domestic determinants of international information sharing," *The Review of International Organizations* 13, no. 3 (2017), <https://doi.org/10.1007/s11558-017-9284-1>.

<sup>72</sup> Jiayue Xu et al., "Estimating the efficiency and potential of China's steel products export to countries along the "Belt and Road" under interconnection: An application of extended stochastic frontier gravity model," *Resources Policy* 75 (2022), <https://doi.org/10.1016/j.resourpol.2021.102513>.

<sup>73</sup> Wang and Wang, "Institutional distance, trade agreements, and intellectual property trade networks: Evidence from cross-border data."

similarity serves as a necessary condition for transforming FTA commitments into tangible outcomes in the market.

### III. Methodology

#### A. Research model

The gravity model, initially introduced by Tinbergen (1962),<sup>74</sup> has become a standard analytical framework in international trade literature for assessing the impact of fundamental determinants such as economic size and transportation costs on bilateral trade flows. This model posits that the volume of trade between two countries is positively related to their respective GDPs and negatively related to the geographical distance between them. The basic structure of the gravity equation is expressed as follows:

$$\ln Export_{ij,t} = \alpha + \beta_1 \ln GDP_{i,t} + \beta_2 \ln GDP_{j,t} + \beta_3 DIST_{ij} + \varepsilon_{ij,t} \quad (1)$$

In which:  $\ln$  is logarithm,  $i$  is exporting country (Vietnam),  $j$  is importing country and  $t$  is year  $t$ .

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<sup>74</sup> Jan Tinbergen, *Shaping the World Economy; Suggestions for an International Economic Policy*, Books (Jan Tinbergen), (Twentieth Century Fund, New York, 1962). [hdl.handle.net/1765/16826](http://hdl.handle.net/1765/16826).

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- $Export_{ij,t}$  is total export from country i to country j in year t (unit: million USD).
- $GDP_{i,t}$  and  $GDP_{j,t}$  is gross domestic product of country i and country j in year t, respectively (unit: billion USD).
- $DIST_{ij}$ : is the geographical distance between country i to country j (unit: km).

Over time, in response to structural changes in global trade and the rise of institutional economics, the basic model has been extended to incorporate additional explanatory variables such as population, institutional factors, colonial history, language, and bilateral or multilateral trade agreements.<sup>75</sup> The extended gravity specification can be expressed as:

$$\begin{aligned}
 \ln Export_{ij,t} = & \alpha + \beta_1 \ln GDP_{i,t} + \beta_2 \ln GDP_{j,t} + \beta_3 POP_{i,t} \\
 & + \beta_4 POP_{j,t} + \beta_5 DIST_{ij} \\
 & + \beta_6 Colony_{ij} + \varepsilon_{ij,t}
 \end{aligned}
 \tag{2}$$

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<sup>75</sup> Yulin Hou, Yun Wang, and Wenjun Xue, "What explains trade costs? Institutional quality and other determinants," *Review of Development Economics* 25, no. 1 (2020), <https://doi.org/10.1111/rode.12722>; Fatima Olanike Kareem and Inmaculada Martínez-Zarzoso, "Are EU standards detrimental to Africa's exports?," *Journal of Policy Modeling* 42, no. 5 (2020), <https://doi.org/10.1016/j.jpolmod.2020.04.006>.

In which:  $POP_{i,t}$  and  $POP_{j,t}$  is total population of country  $i$  and country  $j$  in year  $t$ , respectively (unit: people).  $Colony_{ij}$  is dummy variable that equals 1 if country  $i$  was colonized by country  $j$ , and 0 otherwise.

$\varepsilon_{ij,t}$  is the error term.

However, the error term ( $\varepsilon_{ij,t}$ ) is not merely composed of random disturbances ( $v_{ij,t}$ ) but also includes trade inefficiency ( $u_{ij,t}$ ), which reflects the gap between observed and potential export performance. Hence, the total error term is decomposed as:

$$\varepsilon_{ij,t} = v_{ij,t} - u_{ij,t}$$

Here,  $v_{ij,t}$  represents symmetric statistical noise, assumed to follow a normal distribution  $N(0, \sigma_v^2)$ , while  $u_{ij,t}$  denotes the non-negative inefficiency component, assumed to follow a half-normal distribution  $N^+(\mu, \sigma_u^2)$ , capturing unobserved barriers or institutional frictions in export performance. To account for this dual structure of the error term, the Stochastic Frontier Gravity Model (SFGM) is employed, following Armstrong (2007)<sup>76</sup>. The re-specified model is as follows:

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<sup>76</sup> Shiro Patrick Armstrong, "Measuring Trade and Trade Potential: A Survey," *SSRN Electronic Journal* (2007), <https://doi.org/10.2139/ssrn.1760426>.

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$$\begin{aligned}
 \ln Export_{ij,t} = & \alpha + \beta_1 \ln GDP_{i,t} + \beta_2 \ln GDP_{j,t} + \beta_3 POP_{i,t} \\
 & + \beta_4 POP_{j,t} + \beta_5 DIST_{ij} \\
 & + \beta_6 Colony_{ij} + v_{ij,t} - u_{ij,t}
 \end{aligned}
 \tag{3}$$

As follow theorical framework, the inefficiency component  $u_{ij,t}$  is further modeled as a linear function of country-specific institutional and economic variables:

Where,

$$\begin{aligned}
 u_{ij,t} = & \delta_0 + \delta_1 INS_{i,t} + \delta_2 INS_{j,t} + \delta_3 EF_{j,t} + \delta_4 FTA_{ij,t-1} \\
 & + \delta_5 (FTA_{ij,t-1} \times INS\_SIMI_{ij,t})
 \end{aligned}$$

*In which:*

- $INS_{i,t}$  and  $INS_{j,t}$  is the institutional quality of country i and country j in year t, respectively. This index is measured by factoc analysis approach through six dimensions of governance including Voice and Accountability; Political Stability and Absence of Violence/Terrorism; Government Effectiveness; Regulatory Quality; Rule of Law; and Control of Corruption.
- $EF_{j,t}$  is economic freedom country j in year t.

- $FTA_{ij,t-1}$  is FTA that is signed and effected between country i to country j in year t-1.
- $INS\_SIMI_{ij,t}$  is the institutional similarity between country i to country j in year t.

This specification enables a refined decomposition of observed trade performance into its efficient and inefficient components, which aligns with the new institutional economics paradigm. It recognizes that institutional frictions, regulatory asymmetries, and lack of governance convergence may account for substantial underperformance in trade.

## **B. Estimation Strategy and Treatment of Fixed Effects**

The use of the maximum likelihood estimation (MLE) technique within the stochastic frontier framework allows simultaneous estimation of both technical efficiency and its determining factors. However, a well-documented limitation of standard SFGM is its inability to account for unobserved fixed effects, particularly time-invariant bilateral trade costs such as historical ties, geographic contiguity, and cultural affinity. To address this, the study incorporates the concept of multilateral resistance terms, as proposed by Anderson and van Wincoop

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(2003),<sup>77</sup> to capture omitted variable bias related to multilateral trade frictions. These are approximated using a first-order Taylor expansion:

$$\begin{aligned}
 MR_{TC_{ij}} = & \ln(TC_{ij}) - \frac{1}{N_m} \sum_{m=1}^{N_m} \ln(TC_{i,m}) \\
 & + \frac{1}{N_m} \frac{1}{N_{paj}} \sum_{m=1}^{N_m} \sum_{n=1}^{N_n} \ln(TC_{m,n}) \\
 & - \frac{1}{N_n} \sum_{n=1}^{N_n} \ln(TC_{j,n})
 \end{aligned}
 \tag{4}$$

In which, trade costs are symmetric ( $TC_{ij} = TC_{ji}$ );  $P$  indicates multilateral resistance terms.  $m$  is trading partner of country  $i$ , and  $n$  is trading partner of country  $j$ .  $N$  is number of countries.

This approach allows for the adjustment of bilateral trade costs by incorporating global trade resistance effects, yielding an adjusted distance metric  $MR\_DIST_{ij}$  that better reflects the true

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<sup>77</sup> James E. Anderson and Eric van Wincoop, "Gravity with Gravitas: A Solution to the Border Puzzle," *American Economic Review* 93, no. 1 (2003), <https://doi.org/10.1257/000282803321455214>.

economic frictions. Accordingly, the final model is re-estimated as:

$$\begin{aligned} \ln Export_{ij,t} = & \alpha + \beta_1 \ln GDP_{i,t} + \beta_2 \ln GDP_{j,t} + \beta_3 POP_{i,t} \\ & + \beta_4 POP_{j,t} + \beta_5 MR\_DIST_{ij} \\ & + \beta_6 Colony_{ij} + v_{ij,t} - u_{ij,t} \end{aligned} \quad (3)$$

With:

$$\begin{aligned} u_{ij,t} = & \delta_0 + \delta_1 INS_{i,t} + \delta_2 INS_{j,t} + \delta_3 EF_{j,t} + \delta_4 FTA_{ij,t-1} \\ & + \delta_5 (FTA_{ij,t-1} \times INS\_SIMI_{ij,t}) \end{aligned}$$

The application of the stochastic frontier gravity model with institutional variables and multilateral resistance terms provides a comprehensive and theoretically grounded approach for assessing Vietnam's export performance. The efficiency scores derived from this model allow for cross-country comparisons and benchmarking, offering concrete insights into the extent of unrealized trade potential. A low efficiency score implies the existence of institutional or policy-related frictions that hinder full trade realization, whereas higher scores signal more optimal trade configurations. The export efficiency is calculated as follows:

$$TE_{ij,t} = \frac{Export_{ij,t}}{Potential\_Export_{ij,t}} = \frac{\exp(x_{ij,t}\beta + v_{ij,t} - u_{ij,t})}{\exp(x_{ij,t}\beta + v_{ij,t})}$$



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$$= \exp(-\hat{u}_{ij,t})$$

$$\in (0,1) \quad (3)$$

The export efficiency score ( $TE_{ij,t}$ ) ranges from 0 (where actual exports fall significantly short of their potential level) to 1 (where actual export volume fully matches the potential export level).

Accordingly, the findings from this methodological framework hold important policy implications. If inefficiencies are found to stem primarily from institutional asymmetries or lack of regulatory convergence, policy responses could include governance reforms, alignment of trade-related regulations, or targeted renegotiations of trade agreements. Moreover, this framework offers a robust empirical foundation for strategic trade policy aimed at unlocking untapped export potential through institutional harmonization and regional integration.

### **C. Data collection**

In this study, we use a panel dataset on Vietnam's exports to 82 partner countries during the period from 2002 to 2022. First, data on Vietnam's export values to each destination country are obtained from the World Integrated Trade Solution (WITS) database (<https://wits.worldbank.org/>). Next, information on gross domestic product (GDP) for both Vietnam and its trading partners

is retrieved from the official World Bank database (<https://data.worldbank.org/>). The geographical distance between Vietnam and each importing country is taken from the Centre d'Etudes Prospectives et d'Informations Internationales (CEPII) (<https://www.cepii.fr/>). Indicators reflecting institutional quality are collected from the Worldwide Governance Indicators (WGI) published by the World Bank. Data on economic freedom is obtained from Fraser Institute ([www.fraserinstitute.org](http://www.fraserinstitute.org)). Finally, the information on FTA is collected from VCCI (<https://trungtamwto.vn/>).

#### **IV. Empirical results**

##### **D. Unit root test**

Before proceeding with regression analysis, we employed the Levin–Lin–Chu (LLC) panel unit root test to examine the stationarity of the variables used in the empirical model. The LLC test is particularly appropriate for balanced panel data and allows for homogeneous autoregressive roots across cross-sectional units. This approach helps us ensure that the data are stationary, which is essential to avoid spurious results and to maintain the reliability of the estimated coefficients in subsequent models.

Table 1 presents the LLC unit root test results for all variables. As shown, the adjusted t-statistics for each variable are strongly negative, and all associated p-values are below the 5%

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level of significance. These results indicate that the null hypothesis of a unit root is rejected for all variables at conventional levels of statistical significance. Thus, the data do not exhibit non-stationary behavior, and the panel series are suitable for regression analysis without the need for first differencing or transformation.

Table 1 presents the LLC unit root test results for all variables. As shown, the adjusted t-statistics for each variable are strongly negative, and all associated p-values are below the 5% level of significance. These results indicate that the null hypothesis of a unit root is rejected for all variables at conventional levels of statistical significance. Thus, the data do not exhibit non-stationary behavior, and the panel series are suitable for regression analysis without the need for first differencing or transformation.

**Table 1: Levin–Lin–Chu Unit Root Test Results**

Variable	Unadjusted t	Adjusted t*	p-value
$\ln \text{Export}_{ij,t}$	-17.976	-14.350	0.000
$\ln \text{GDP}_{i,t}$	-30.363	-28.559	0.000
$\ln \text{GDP}_{j,t}$	-17.850	-12.106	0.000
$\ln \text{POP}_{i,t}$	-20.071	-20.508	0.000
$\ln \text{POP}_{j,t}$	-12.138	-11.840	0.000
$\text{INS}_{i,t}$	-27.529	-12.910	0.000
$\text{INS}_{j,t}$	-10.909	-2.040	0.021
$\text{EF}_{j,t}$	-15.958	-5.507	0.000
$\text{FTA}_{ij,t-1}$	-23.279	-6.481	0.000

*Source: Authors' calculation*

### **E. Determinants of export**

The results of the stochastic frontier model are presented in Table 2. The estimation results for the core gravity equation highlight several statistically significant and theoretically consistent determinants of Vietnam's bilateral exports.

First, both the GDP of Vietnam ( $\ln GDP_{i,t}$ ) and that of its trading partners ( $\ln GDP_{j,t}$ ) exert a positive and highly significant influence on bilateral export flows, with coefficients of 0.873 and 0.782, respectively ( $p < 0.01$ ). These results reinforce the foundational premise of the gravity model—larger economies trade more—and indicate that economic scale remains a primary driver of Vietnam's export performance.

Second, the population of the importing country ( $\ln POP_{j,t}$ ) also contributes positively to export flows ( $\beta = 0.144$ ,  $p < 0.01$ ), suggesting that markets with larger consumer bases are more likely to import goods from Vietnam. Conversely, Vietnam's own population size ( $\ln POP_{i,t}$ ) does not show a statistically significant effect ( $\beta = 0.184$ ,  $p = 0.925$ ), implying that the domestic demographic factor is not a constraint or key determinant in this context, possibly due to the outward-oriented nature of Vietnam's export strategy.

Third, in terms of trade cost, the coefficient on multilateral resistance-adjusted economic distance ( $MR\_DIST_{ij}$ ) is negative

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and highly significant ( $\beta = -0.748$ ,  $p < 0.01$ ), consistent with the theoretical expectation that greater distance (in economic terms) increases trade costs and reduces export flows. By using multilateral resistance terms, the model captures a more accurate representation of underlying trade frictions than traditional geographic distance alone.

In addition, the colonial tie variable ( $\text{Colony}_{ij}$ ) is positive but statistically insignificant ( $\beta = 0.070$ ,  $p = 0.718$ ), suggesting that historical colonial relationships no longer exert a measurable influence on Vietnam's current export patterns. This result reflects the diminished role of legacy ties in an era characterized by institutional modernization and strategic diversification of trade partnerships.

Table 2: The empirical results of SFA model

Variable	$\beta$	SE	$z$	$P >  z $
<i>Total Export</i>				
$\ln GDP_{i,t}$	0.873	0.182	4.790	0.000
$\ln GDP_{j,t}$	0.782	0.022	35.890	0.000
$\ln POP_{i,t}$	0.184	1.948	0.090	0.925
$\ln POP_{j,t}$	0.144	0.027	5.260	0.000
$MR\_DIST_{ij}$	-0.748	0.031	-24.110	0.000
$Colony_{ij}$	0.070	0.195	0.360	0.718
Constant	-35.982	31.113	-1.160	0.247
<i>Export inefficiency</i>				
$INS_{j,t}$	-0.940	0.227	-4.140	0.000
$INS_{i,t}$	-0.205	0.126	-1.620	0.105
$EF_{j,t}$	-0.376	0.139	-2.700	0.007
$FTA_{ij,t-1}$	-1.878	0.452	-4.150	0.000
$FTA_{ij,t-1} \times INS\_SIMI_{ij,t}$	-1.121	0.482	-2.330	0.020
Constant	0.931	0.988	0.940	0.346
<i>Vsigma</i>				
Constant	-0.346	0.049	-7.060	0.000
<i>Number of obs</i>		1722		

Source: Authors' calculation

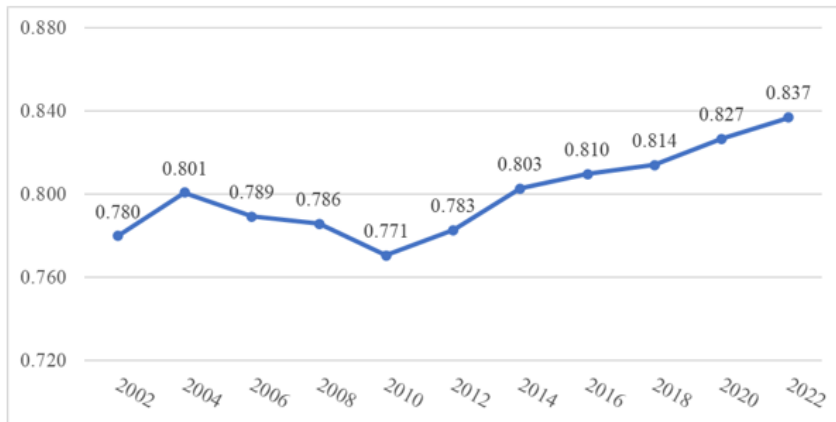
## F. Determinants of export inefficiency

\* *Export efficiency*

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Before analyzing factors impacts on Vietnam's export inefficiency, we illustrate export efficiency. Figure 1 shows that Vietnam's export efficiency followed a generally upward trajectory during the period 2002 to 2022, increasing from 0.780 in 2002 to 0.837 in 2022. In the early years, the efficiency index fluctuated moderately, with a slight decline observed between 2006 and 2010, which may reflect structural constraints and the adverse effects of the global financial crisis. From 2010 onward, export efficiency began to improve gradually, particularly after 2014, in parallel with Vietnam's broader participation in regional and global trade agreements. The notable acceleration from 2018 to 2022 corresponds to the implementation of new-generation FTAs such as the CPTPP and EVFTA, along with growing institutional reforms and trade facilitation measures. Although this trend is encouraging, the efficiency score remaining below unity indicates that Vietnam has not yet fully realized its export potential, underscoring the importance of sustained institutional improvements and more effective FTA implementation.



**Figure 1: The export efficiency of Vietnam**

*Source:* Authors' calculations

More specifically, Table 2 reveals a clear disparity in Vietnam's export efficiency between agricultural and non-agricultural products during the 2002–2022 period. Non-agricultural goods consistently demonstrate higher and more stable efficiency levels, ranging from 0.764 to 0.813, reflecting strong capacity to seize trade opportunities and integrate into global value chains. In contrast, agricultural exports exhibit significantly lower efficiency, fluctuating between 0.546 and 0.677, indicating substantial untapped potential likely constrained by limitations in quality standards, logistics, and processing capabilities. While non-agricultural sectors have evidently benefited from recent FTAs such as the CPTPP and EVFTA, the agricultural sector continues to struggle in converting potential into realized exports. These findings underscore the need for



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institutional reform, capacity-building, and technical support to bridge the efficiency gap in Vietnam's agricultural trade.

Table 3: Export efficiency of Vietnam across type of products

Year	Agricultural Materials			Non_Agricultural Materials		
	Actual Export (Billion USD)	Export efficiency	Potential export (Billion USD)	Actual Export (Billion USD)	Export efficiency	Potential export (Billion USD)
2002	3.842	0.583	6.586	7.437	0.774	9.610
2003	4.609	0.600	7.684	9.869	0.791	12.478
2004	5.452	0.597	9.136	12.821	0.790	16.236
2005	6.656	0.566	11.764	15.037	0.778	19.321
2006	8.428	0.576	14.639	19.050	0.776	24.543
2007	10.286	0.595	17.291	24.766	0.775	31.950
2008	12.833	0.589	21.802	31.810	0.764	41.630
2009	11.894	0.597	19.919	31.877	0.776	41.063
2010	14.936	0.546	27.338	44.064	0.770	57.261
2011	19.878	0.567	35.044	59.125	0.773	76.451
2012	20.928	0.559	37.470	74.719	0.778	96.009
2013	21.177	0.560	37.848	93.071	0.782	119.046
2014	23.301	0.590	39.510	108.366	0.791	137.012
2015	22.105	0.605	36.519	125.890	0.799	157.539
2016	24.424	0.625	39.092	140.489	0.800	175.658
2017	28.035	0.640	43.821	171.667	0.799	214.907
2018	29.243	0.642	45.537	196.733	0.796	247.138
2019	28.629	0.637	44.925	215.925	0.795	271.708
2020	28.360	0.659	43.055	235.491	0.801	294.080
2021	32.221	0.677	47.594	281.474	0.813	346.104
2022	36.415	0.676	53.905	308.556	0.810	380.755

Source: Authors' calculations

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*\* The effects of various factors on the reduction of export inefficiency*

The second stage of the stochastic frontier gravity model provides insights into the factors contributing to Vietnam's export inefficiency, defined as the gap between actual and potential export performance. According to Table 4, the results emphasize the central role of institutional and policy-related variables in shaping trade efficiency.

The institutional quality of the importing country ( $INS_{j,t}$ ) exhibits a negative coefficient (-0.940) and is statistically significant at the 1% level ( $p < 0.01$ ). This suggests that when Vietnam's trading partners possess stronger institutional environments—characterized by stable legal systems, transparent regulations, and good governance—the associated transaction costs are reduced, thereby narrowing the gap between actual and potential exports. This finding is consistent with transaction cost theory and aligns closely with empirical results from Obeng and Boadu,<sup>78</sup> who found that institutional factors were key to explaining export inefficiency reductions in Ghana. It also resonates with Yang and Martinez-Zarzoso and de Groot et al.,

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<sup>78</sup> Obeng, Boadu, and Ewusie, "Deep preferential trade agreements and export efficiency in Ghana: Do institutions matter?."

who emphasized the importance of institutional compatibility for effective trade integration.<sup>79</sup>

However, the institutional quality in Vietnam ( $INSi,t$ ) also has a negative coefficient (-0.205), but it is not statistically significant ( $p = 0.105$ ). While the sign suggests that improved domestic institutions tend to reduce export inefficiency, the lack of statistical significance implies that institutional reforms in Vietnam may not yet have been broad-based or effective enough to fully impact export performance during the period under study.

In addition, the economic freedom of the importing country ( $EFj,t$ ) is found to significantly reduce export inefficiency ( $\beta = -0.376$ ,  $p = 0.007$ ). This supports the view that Vietnam's exports are more efficient when directed toward open economies, where market access is more liberal, institutional constraints are lower, and policy environments are conducive to trade.

Importantly, participation in Free Trade Agreements ( $FTA_{ij,t-1}$ ) is associated with a strong and statistically significant reduction in export inefficiency ( $\beta = -1.878$ ,  $p < 0.01$ ). This finding confirms the theoretical argument that FTAs act as institutional anchors that promote trade facilitation, reduce non-tariff barriers, and enhance competitiveness. These support

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<sup>79</sup> de Groot et al., "The Institutional Determinants of Bilateral Trade Patterns."; Yang and Martinez-Zarzoso, "A panel data analysis of trade creation and trade diversion effects: The case of ASEAN-China Free Trade Area."

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the conclusions of Noviyani et al.<sup>80</sup> and Stack et al., who also found that FTAs improve export efficiency by easing structural bottlenecks and enhancing competitiveness. However, the effectiveness of FTAs is not uniform across all trading relationships.

This is further illustrated by the statistically significant and negative coefficient of the interaction term between FTA and institutional similarity ( $FTA_{ij,t-1} \times INS\_SIM_{ij,t}$ ), which stands at -1.121 ( $p = 0.020$ ). This result indicates that the efficiency gains from FTAs are magnified when member countries share similar institutional environments (eg. legal systems, regulatory quality, and administrative capacity). Accordingly, higher institutional compatibility lowers compliance costs, shortens processing times, and enhances the implementation of trade commitments.

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<sup>80</sup> Noviyani, Na, and Irawan, "Indonesian Export Efficiency : A Stochastic Frontier Gravity Model Approach."; Stack, Pentecost, and Ravishankar, "A Stochastic Frontier Analysis of Trade Efficiency for the New EU Member States: Implications of Brexit."

Table 4: The empirical results of SFA model

Variable	$\beta$	SE	$z$	$P >  z $
<i>Total Export</i>				
....	0.873	0.182	4.790	0.000
<i>Export inefficiency</i>				
INS <sub>j,t</sub>	-0.940	0.227	-4.140	0.000
INS <sub>i,t</sub>	-0.205	0.126	-1.620	0.105
EF <sub>j,t</sub>	-0.376	0.139	-2.700	0.007
FTA <sub>ij,t-1</sub>	-1.878	0.452	-4.150	0.000
FTA <sub>ij,t-1</sub> X INS_SIMI <sub>ij,t</sub>	-1.121	0.482	-2.330	0.020
Constant	0.931	0.988	0.940	0.346
<i>Vsigma</i>				
Constant	-0.346	0.049	-7.060	0.000
<i>Number of obs</i>		1722		

Source: Authors' calculation

According to Table 5, institutional quality of importing country significantly reduces export inefficiency in both sectors, yet its effect is slightly stronger for agricultural products ( $\beta = -0.631$ ,  $p < 0.01$ ) compared to non-agricultural products ( $\beta = -0.586$ ,  $p < 0.01$ ). This result suggests that agricultural exports are more sensitive to the institutional environment of the importing country, likely due to stricter regulatory standards and the perishable nature of agricultural goods, which demand higher transparency and reliability in customs, certification, and logistics.

Institutional quality of Vietnam significantly reduces export inefficiency in agricultural trade ( $\beta = -0.242$ ,  $p < 0.01$ ), while

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having no statistically significant effect in the non-agricultural sector ( $\beta = -0.092$ ,  $p > 0.1$ ). This contrast highlights the greater dependence of agricultural exports on domestic regulatory capacity, especially in areas such as food safety, traceability systems, and certification for international standards. In contrast, non-agricultural exporters may already possess stronger institutional resilience or benefit from more standardized processes less reliant on state facilitation.

The role of economic freedom differs sharply across sectors. It is statistically insignificant for agricultural exports ( $\beta = -0.070$ ), but has a strong and significant effect in reducing inefficiency in the non-agricultural group ( $\beta = -0.639$ ,  $p < 0.01$ ). This finding suggests that manufactured or industrial products are more sensitive to liberal economic environments, where fewer regulatory distortions, greater protection of contracts, and investor-friendly conditions reduce trade costs and barriers to entry.

Table 5: The effects of factors on export inefficiency across products

Variable	Agricultural Materials	Non_Agricultural Materials
<i>Export</i>		
$\ln GDP_{i,t}$	1.851** (0.225)	0.670** (0.190)
$\ln GDP_{j,t}$	0.496** (0.025)	0.940** (0.022)
$\ln POP_{i,t}$	-14.258** (2.356)	4.431* (2.034)
$\ln POP_{j,t}$	0.423** (0.033)	0.012 (0.028)
$MR\_DIST_{ij}$	-0.647** (0.038)	-0.745** (0.031)
$Colony_{ij}$	-0.211 (0.219)	0.175 (0.200)
Constant	204.785** (37.498)	-110.883** (32.456)
<i>Export inefficiency</i>		
$INS_{j,t}$	-0.631** (0.145)	-0.586** (0.208)
$INS_{i,t}$	-0.242** (0.090)	-0.092 (0.113)
$EF_{j,t}$	-0.070 (0.100)	-0.639** (0.140)
$FTA_{ij,t-1}$	-0.679** (0.222)	-2.268** (0.586)
$FTA_{ij,t-1} \times INS\_SIMI_{ij,t}$	-0.516* (0.233)	-1.442* (0.630)
Constant	0.407 (0.727)	3.122** (0.970)
<i>Vsigma</i>		
Constant	-0.353** (0.097)	-0.314** (0.051)
Number of Obs	1713	1722

Source: Authors' calculations

Note: Standard errors in parentheses. \* significant at the 0.05 level; \*\* significant at the 0.01 level.



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Importantly, FTAs consistently lower export inefficiency in both sectors, but the magnitude is far greater for non-agricultural products ( $\beta = -2.268$ ,  $p < 0.01$ ) than for agricultural goods ( $\beta = -0.679$ ,  $p < 0.01$ ). This indicates that non-agricultural sectors benefit more strongly and more immediately from preferential market access, possibly due to higher baseline trade volumes, participation in regional value chains, and greater responsiveness to tariff and non-tariff reductions. In addition, the interaction term ( $\text{FTA}_{ij,t-1} \times \text{INS\_SIM}_{ij,t}$ ) is statistically significant in both groups. Specifically, the effect is much stronger for non-agricultural products ( $\beta = -1.442$ ,  $p < 0.05$ ) compared to agricultural products ( $\beta = -0.516$ ,  $p < 0.05$ ). This reinforces the argument that institutional compatibility amplifies the effectiveness of FTAs, particularly in complex, capital- and knowledge-intensive sectors where regulatory alignment is crucial for seamless market access, technical recognition, and administrative efficiency.

These differences highlight the need for product-specific export strategies. In agriculture, emphasis should be placed on institutional reform, food safety, and compliance systems, while for non-agricultural goods, the focus should be on leveraging FTAs, aligning regulatory frameworks, and targeting liberal economies with compatible institutions.

## **G. Policy implications**

The empirical findings of this study yield several critical policy implications for enhancing Vietnam's export efficiency and optimizing the gains from international trade integration.

First, the consistently strong and positive impact of FTAs on export efficiency, particularly in non-agricultural sectors, underscores the importance of proactive and strategic FTA utilization. Policymakers should prioritize deepening engagement with high-standard FTAs by improving domestic enforcement mechanisms, simplifying rules of origin procedures, and supporting enterprises in navigating FTA-related compliance requirements. Special attention should be paid to technical training and institutional coordination to translate preferential market access into tangible export outcomes.

Second, the significant role of institutional similarity in amplifying the benefits of FTAs suggests that Vietnam should seek to strengthen institutional alignment with key trading partners. This may involve harmonizing regulatory standards, enhancing transparency in customs and border procedures, and participating in mutual recognition frameworks. For future trade negotiations, institutional convergence should be considered a strategic objective to ensure the practical enforceability of FTA provisions.

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Third, the results highlight the critical influence of the institutional quality of both Vietnam and its trade partners, particularly in agricultural trade. To narrow the export efficiency gap in this sector, Vietnam must invest in modernizing domestic institutions related to food safety, sanitary and phytosanitary (SPS) measures, and certification systems. This includes upgrading inspection infrastructure, digitalizing export documentation, and fostering inter-agency coordination to streamline processes.

Fourth, the uneven effect of economic freedom across sectors implies that export promotion policies should be tailored accordingly. While non-agricultural exports benefit from liberal, market-driven environments, agricultural exports require more targeted state support to overcome structural weaknesses. Accordingly, Vietnam should develop sector-specific export facilitation programs, combining regulatory reform with infrastructure development and SME capacity-building.

Finally, the long-term trend of improving but suboptimal export efficiency calls for a comprehensive national export strategy. This strategy should integrate trade policy, institutional development, and industrial upgrading. Efforts should be made to promote value-added production, diversify export markets, and enhance Vietnam's position within global value chains. By addressing inefficiency at both systemic and product-specific

levels, Vietnam can unlock its full export potential and foster resilient, sustainable trade growth.

## **V. Conclusion**

This study investigates the determinants of Vietnam's export efficiency using a stochastic frontier gravity model augmented with institutional variables and multilateral resistance terms. By integrating both structural and institutional factors, the research provides a nuanced understanding of the drivers behind Vietnam's export performance over the period 2002 to 2022.

The empirical findings highlight the critical role of institutional factors. The institutional quality of Vietnam's trading partners and their degree of economic freedom are found to significantly reduce export inefficiency. FTAs also contribute positively, and their effectiveness is further enhanced when institutional similarity exists between Vietnam and its partners. Notably, the impact of these factors varies across product groups, indicating that non-agricultural exports benefit more strongly from institutional compatibility and policy liberalization.

These findings suggest that in order to unlock its full export potential, Vietnam must go beyond tariff-focused trade liberalization. Strategic emphasis should be placed on improving domestic institutional quality, harmonizing regulatory frameworks with key partners, and tailoring export promotion policies to the

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specific needs of different sectors. Additionally, the interaction between institutional compatibility and FTA implementation should be recognized as a key lever for enhancing trade efficiency.

Future research may expand on these results by employing firm-level data, considering digital trade readiness, or analyzing the dynamic evolution of institutional quality. Such directions would provide deeper insights into the pathways through which Vietnam can strengthen its position in the global trading system.

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