

# *Post-World War II Japan's Defense Buildup Plan and the Function of Industry Associations in Rebuilding the Military Industry : The Trend of "Domestic Production" of Defense Equipment from the 1950s to the 1970s*

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We will examine not only what kind of Japan–U.S. relationship was built through the strengthening of the defense capabilities of the Japanese Self-Defense Forces from the end of World War II to the 1970s but also how Japanese industry groups responded to it during that period. The rearmament of Japan by the Self-Defense Forces was carried out under the strong control of the United States, based on the Japan–U.S. Security Treaty. In addition, the beginning of the Cold War and the Korean War caused a major shift in the U.S. occupation policy. The United States initially provided many arms for free for the creation of the Self-Defense Forces and for the enhancement of defense equipment, but to restrain the outflow of money, it switched from a policy of free to paid armament. In response to this policy shift towards strengthening self-defense capabilities, Keizaidantai Rengokai(Keidanren) and Nihon Heiki Kogyokai tried to achieve economic growth and acquire more advanced technology by taking advantage of the special demand and the business opportunity of building up the defense capabilities of the Self-Defense Forces. The “Domestic Production” of arms was important for these groups. However, even though it is called “domestic production”, advanced technologies used in fighter planes and other equipment were mainly licensed, including important parts like black boxes. Therefore, Japan was a long way off from technological independence.

## Introduction

Under the Abe cabinet, which has been in power since 2012, Japan's security posture has undergone a series of rapid changes, including the establishment of the National Security Bureau in 2014, the Cabinet Decision on the “Three Principles on Defense Equipment Transfer,” which significantly changed the “Three Principles on Arms Exports”, the Cabinet Decision to change the existing interpretation of the Constitution to allow the exercise of the right to collective defense, the revision of the Japan-U.S. Guidelines for Defense Cooperation in 2015, and the passage of the several Security Laws (Security regime). In 2015, Japan's security posture began to undergo a major transformation. In particular, the changes regarding the right to collective self-defense marked a milestone in

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that they explicitly advanced the so-called alliance between Japan and the United States. In this paper, I would like to clarify how the shift in the 2010s can be positioned by examining how the Japan–U.S. relationship was constructed from the post-World War II period to the 1970s and how Japanese industry responded to this relationship with regard to the increase in the defense capability of the Self-Defense Forces.

Japan’s postwar reconstruction can be divided into two main processes: one is the process of reconstruction by the U.S. occupation policy, and following the conclusion of the 1951 Peace Treaty and its entry into force the following year, the other is the process of reconstruction by the Japanese government after the restoration of independence. The Japan–U.S. Security Treaty, which was concluded and came into effect at the same time as the peace treaty, allowed reconstruction to proceed consistently under the strong control of the United States. To elucidate this point, we will first review the process of change in U.S. occupation policy towards Japan and the development of Japan’s rearmament from 1945 until the revision of the Japan–U.S. Security Treaty in 1960. The dismantling and rebuilding of Japan’s military power and the establishment of the Japan–U.S. Security Treaty are important milestones in this process. Next, we will examine what kind of vision the industrial world had for the process of dismantling and rebuilding Japan’s military power, how it lobbied the Japanese and U.S. governments, and how the defense industry (mainly the arms industry in this paper) actually developed its business, based on the business development of some companies.

## 1. Rearmament and defense force development, as evidenced by the shift in occupation policy towards Japan and the birth of the Self-Defense Forces.

In September 1945, General Order No. 1 of the Supreme Headquarters of the Allied Powers (hereinafter referred to as GHQ) ordered the suspension of munitions production. The “Initial Policy toward Japan” also stipulated the demilitarization of Japan and the elimination of militarism. Furthermore, the E. W. Pauley Reparations Committee delegation that visited Japan in November of the same year proposed a reparations plan that would hand over a substantial portion of munitions factories and basic heavy industrial facilities to neighboring Asian countries and keep Japan’s productive capacity at a level that would not exceed the standard of living of Asian countries. However, the Truman Doctrine of January 1947 called for the prevention (i.e., containment) of the expansion of Soviet-controlled territory, and Secretary of War K.C. Royall’s speech of January 1948 set forth the direction of promoting Japan’s economic recovery and making it “a deterrent against the threat of totalitarian war”.<sup>1</sup> At this point, the U.S. incorporated Japan into its campaign against socialism and communism centered on the Soviet Union and changed its course from a policy of holding economic reconstruction to that of neighboring Asian countries to that of promoting higher productivity and rearmament. In October 1948, the U.S. National Security Council reflected this change in its “Recommendations for U.S. Policy toward Japan”, which were sent to the Japanese government as the “Nine Principles of Economic Stability” and shifted the focus from demilitarization to economic reconstruction. The reparations were to be lifted in full by the statement from F.R. McCoy, the U.S. representative to the Far Eastern Commission.<sup>2</sup>

<sup>1</sup> See <https://worldjpn.grips.ac.jp/documents/texts/JPUS/19480106.S1E.html>.

<sup>2</sup> Kihara [1994], p. 55.



of the Japanese side presenting its First Defense Force Buildup Plan under consideration and explaining its goals of 180,000 troops on land, 124,000 tons at sea, and 1,300 aircraft.<sup>6</sup>

Thus, Japan's rearmament efforts rapidly progressed in response to U.S. demands and assistance in the wake of the Korean War. In 1952, the year the Japan–U.S. Security Treaty came into effect, the Police Reserve Corps was renamed the National Guard Corps, and its ground forces were increased to a capacity of 110,000 and equipped with tanks and howitzers. In maritime defense, frigates and landing support boats were borrowed from the U.S. military and used to form a defense force for guards. It was not until the establishment of the Self-Defense Forces under the Defense Agency in July 1954 that the SDF became a three-military organization consisting of land, sea, and air forces. At the time of its establishment, the SDF seemed to have 139,000 personnel on land, 16,000 personnel and 58,000 tons of naval vessels at sea, and 6,738 personnel and 148 aircraft in the air. It can be said that the SDF strengthened its self-defense capabilities in line with the Japan-U.S. MSA.<sup>7</sup>

The government will consider a draft five-year defense force Buildup plan for the Self-Defense Forces, but in 1956, the National Defense Council was established as an advisory body for the prime Minister, and the following year, the “Basic Policy for National Defense” was decided there. The National Defense Council formulated the basic policy for national defense and the National Defense Program Outline. This council committee consisted of the prime minister, the deputy prime minister, the ministers of foreign affairs and finance, and the directors-general of the Defense Agency and the Economic Planning Agency, among others.<sup>8</sup>

It states that “the defense force shall be developed gradually and efficiently to the extent necessary for self-defense, in accordance with national strength and conditions”. Based on this, in 1957, the Council of National Defense and the cabinet meeting determined the “Defense Force Buildup Plan” (primary Defense Buildup Plan) for the 1958-1960<sup>9</sup>. Table 1 shows the objectives set in the Defense Buildup Plan (hereinafter abbreviated as DBP) implemented over the four plans periods. It shows the target figures and their actual results. In the Ground Self-Defense Force (hereinafter abbreviated as GSDF), the target of 180,000 active Self-Defense Force personnel has been consistently and the goal of the Tertiary DBP was almost achieved. The Guided Missile Unit has been newly established since the Secondary DBP. Guided Missile Unit (GMU) has remained on target, although it has been added as a new piece of equipment. The Maritime Self-Defense Force (MSDF) was on target in the initial and fourth rounds of DBP. In particular, the target for the fourth DBP had to be changed midway due to major economic fluctuations<sup>10</sup>. In the Air SDF (ASDF), the focus is still on aircraft buildup. In the case of primary DBP, although the number of

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<sup>6</sup> Kondo and Osanai [1978], p. 238.

<sup>7</sup> The size of the SDF at the time of opening is according to the official website of the Air Self-Defense Force (<https://www.mod.go.jp/asdf/about/organization/>).

<sup>8</sup> In 1972, the Minister of International Trade and Industry, the Director General of the Science and Technology Agency, and the Chief Cabinet Secretary were added to the council.

<sup>9</sup> Keidanren Committee on Defense Production [1964], p. 165.

<sup>10</sup> At the National Defense Council and Cabinet meetings in December 1975, it became clear that it would be difficult to achieve the targets for major equipment, and it was decided to postpone the following reductions: 31 Type 74 tanks from the originally planned 280 to 249; 60 Type 73 armored vehicles from 136 to 76; 17 naval ships from 54 to 37; and 42 support fighter aircraft from 211 to 169. The Defense Agency [1976], p. 159).

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**Table1 Objectives and Achievements of the 1-4th Defense Buildup Plans**

	Ground Self-Defense Force						Maritime Self-Defense Force				Air Self-Defense Force			
	Self-defense personnel (mn)		Reserve Officers (mn)		Guided missile unit (squad)		Naval vessels (ten thousand tons)		Aircraft		Aircraft		Guided missile unit (squad)	
	target	track record	target	track record	target	track record	target	track record	target	track record	target	track record	target	track record
primary DBP 1958-60	180,000	170,000	15,000	15,000			12.4	11.2	222	218	1,342	1,133		
secondary DBP 1962-66	180,000	171,500	30,000	24,000	2	2	14.4	14.0	235	239	1,036	1,095	2	2
tertiary DBP 1967-71	180,000	179,000	39,000	36,000	4	4	14.2	14.4	220	250	880	940	4	4
quaternary DBP 1972-76	180,000	*154,805			8	8	21.4	19.8	210	200	770	840	6	5

\* The number of Ground Self-Defense Force officers in the Quaternary Defense Plan is the figure from the Defense Agency[1977],p.177.

- In March 1977, the Air Self-Defense Force had 881 Aircrafts(see Defense Agency[1977],p.184.
- Source: Figures from Asagumo Shimbun [2022] (viewed ) were used for the primary through quaternary plans. However, the target for the quaternary plan was lowered in December 1975 due to rapid changes in the economic environment.

aircraft scheduled to enter service did not reach the target number due to the short three-year period, it is clear that the target number of aircraft is rapidly being met, supported by the U.S.government's cost sharing and other factors.

**Table 2 Total Procurement Results by Defense Agency Item(Central Procurement)**

Defense Buildup Plan	period(fy)	total amount (100 million yen)	main product lineup
primary DBP	1958-60	2,301.7	aircrafts54% telecommunications12% vessels12% weapons10%
secondary DBP	1962-66	4,757.7	aircrafts24% telecommunications14% vessels11% weapons12% prototype2.3%=10.9billion yen
tertiary DBP	1967-71	10,864.1	aircrafts35% telecommunications14% vessels8% weapons8% guided weapons7% prototype1.7%=25.5billion yen
quaternary DBP	1972-76	17,557.0	aircrafts39% telecommunications13% vessels10% weapons5% guided weapons 6% prototype2.4%=41.3billion yen

- Guided weapons prior to 1967 are included in weapons.
- Prototypes prior to 1962 are included in each of the applicable items.
- Source: Figures for total value and major commodities are from Kihara [1994], pp.92-93.

Table 2 shows the budget amount and main item composition for the procurement of defense equipment for central procurement in each DBP. Let us examine what kind of equipment was strengthened at each stage, referring to this table. The period of the primary DBP coincided with the revision of the security treaty by the Kishi cabinet, which was a period of “political season”. The contents of the primary DBP, which called for the buildup of a minimum necessary self-defense force (“core defense force”), included 180,000 GSDF personnel, 124,000 tons of MSDF vessels, and 1,300 ASDF aircraft at a total cost of 404.1 billion yen, with “a significant portion of the equipment” to be provided by the United

States.<sup>11</sup> Prime Minister Kishi travelled to the U.S. with this DBP to gain the approval of the U.S. side and reached an agreement to withdraw U.S. ground forces from Japan and to make adjustments towards the revision of the security treaty. In August 1957, the Pentagon announced the withdrawal of U.S. ground forces from Japan, and the withdrawal was completed in February of the following year. Although aircraft were prominent in the item mix, the U.S. grant of aircraft was significant.

The new Japan–U.S. Security Treaty concluded in January 1960 stipulated in Article II the promotion of economic cooperation, Article III the strengthening of Japan’s defense capability, and Article V the obligation of the United States to defend Japan, as well as the obligation of Japan to defend itself and U.S. forces within Japan in the event of an armed attack. It also stipulated that the treaty could be terminated by either party upon notice of termination 10 years after its entry into force.<sup>12</sup>

In July 1961, the Secondary DBP, which had been postponed due to growing opposition to the revision of the Security Treaty, was decided at the National Defense Council and cabinet meetings. The Secondary DBP was to cover the five-year period from 1962 to 1966, coinciding with the start of the Ikeda cabinet’s income-doubling policy, the start of the U.S. bombing of North Vietnam, and the Vietnam War in full swing. The basic policy was to “focus primarily on qualitative enhancement of defense capabilities,” including the modernization of equipment, enhancement of mobility, improvement and enhancement of logistical support systems, stockpiling of ammunition and ammunition for combat, introduction of anti-aircraft equipment, and promotion of technological research and development. The goals for Secondary DBP included 180,000 GSDF (13 divisions) and 30,000 reserve SDF officers, 143,000 tons of MSDF vessels, approximately 1,000 ASDF aircraft, four surface-to-air guided missile battalions (two each of Nike and Hawk), an average annual increase in Defense Agency expenses of 20.5 billion yen, and the achievement of the Secondary DBP. The total maintenance cost required was 313.5 billion yen, the total defense budget was 1.16 trillion yen, and research and development and domestic production of new equipment was considered important for achieving this DBP.<sup>13</sup> During this period, the U.S. switched from grant aid for equipment to paid aid under the Kennedy administration, due to the worsening balance of payments that became a reality from 1962 onward.<sup>14</sup>

The U.S. intervention in Vietnam escalated with the start of the bombing of North Vietnam, and U.S. military bases in Japan and Okinawa became more important as sortie bases. In November 1966, the National Defense Council and the cabinet decided on the outline of the Tertiary DBP (1967-71), and in March of the following year, the main items and budget scale for the Tertiary DBP were decided. This was the latter half of the period of rapid economic growth and the period when Prime Minister Sato’s negotiations for the reversion of Okinawa to Japan, which was to be “nuclear-free and comparable to that of mainland Japan,” were in full swing. As in the case of the Secondary DBP phase, the general policy called for the enhancement and reinforcement of the SDF’s ability to respond to invasions of local or sub-local scale with conventional weapons and the

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<sup>11</sup> Keidanren Committee on Defense Production [1964] pp. 165,166, Japan Association of Arms Industry [1983] p. 8.

<sup>12</sup> See [https://www.archives.go.jp/ayumi/kobetsu/s35\\_1960\\_01.html](https://www.archives.go.jp/ayumi/kobetsu/s35_1960_01.html).

<sup>13</sup> Keidanren Committee on Defense Production [1964] pp. 160, 257, 267-270; Japan Association of Arms Industry [1983] p. 11.

<sup>14</sup> About 45% of the equipment procurement value in FY1950-61 was provided by U.S. grant aid, but the grant aid ended in FY1969. Domestic procurement has accounted for more than 80% since the mid-1960s, and almost 90% in the 1970s (Tomiyama [1979], p. 39).

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construction of elite units. It also called for the promotion of technological research and development, equipment modernization, the improvement of domestic technological standards, and the appropriate domestic production of equipment. In the maritime sector, to strengthen defense capabilities in the surrounding seas, the MSDF was to build 14 destroyers, including those carrying ship-to-air guided missiles and helicopters, and 56 naval vessels, including five submarines, totalling 48,000 tons, as well as 60 fixed-wing anti-submarine aircraft, 33 anti-submarine helicopters, etc. In the airspace, two squadrons each of surface-to-air guided missile, Hawk, and Nike Hercules equipped units were to be formed, and preparations were also made to form one squadron each. In addition, to improve the air defense strike capability, the selection of new fighter aircraft models and their maintenance were initiated. The plan also called for the development of 55 aircraft, 4 naval vessels, and supersonic advanced training aircraft in Japan to improve the education and training system and rescue system. Total defense-related expenditures were projected at about 2.34 trillion yen.<sup>15</sup> Overall, the plan emphasized anti-submarine and air defense capabilities and was in line with the intentions of the United States.

In April 1971, the Defense Agency, under the leadership of Defense Minister Nakasone, announced the Quaternary DBP(1972-76). This was a period of dramatic changes, including the 1970 Security Treaty, the shift to a floating exchange rate system, the restoration of diplomatic relations with China, the return of Okinawa to Japan, the oil crisis, the end of Japan's rapid economic growth, and the end of the Vietnam War. Again, the goal was to establish a defense system capable of dealing with an invasion by conventional weapons in a localized warfare situation, and the budget was expected to be more than twice the amount of the 3rd DBP, 5.2 trillion yen, with an emphasis on the modernization of ground equipment, domestic production of equipment, and research and development. However, due to the collision between an SDF aircraft and an All Nippon Airways plane in July of the same year and the impact of the dollar crisis, the total cost was lowered to 4.63 trillion yen in the Fourth DBP outline decided the following year. The main equipment items were as follows: (1) GSDF: 280 tanks, 170 armoured vehicles, 90 self-propelled guns, 159 operational aircraft including 154 helicopters, and 3 surface-to-air guided missile hawks; (2) MSDF: 13 escort ships including 2 helicopter-carrying destroyers and 1 ship-to-air missile escort ship, In addition, 5 submarines, 1 supply ship, and various other vessels for a total of 54 ships; approx. 69,000 tons; (3) ASDF: 3 units equipped with Nike J surface-to-air guided missiles, 46 fighter aircraft with improved warning capability and modernization, 68 support fighters, and 24 transport aircraft.<sup>16</sup> In the same year, Okinawa returned to the mainland, Japan-China diplomatic relations were restored, and Minister of International Trade and Industry Tanaka announced his "Theory of Remodeling the Japanese Islands." In 1973, the oil crisis occurred, and the defense industry was hit by the frenzy of prices<sup>17</sup>. The result of the emphasis on R&D can be seen in the increase in expenditures on prototypes in Table 2. At any rate, the quaternary DBP, which faced major economic changes, differed from the conventional maintenance plan, as described above, and was forced to be drastically scaled back at a defense conference and cabinet meeting held at the end of 1975.

With Japan's rapid economic growth, defense equipment was steadily upgraded from the primary DBP through the tertiary DBP, even though "exclusive defense" was the basic policy. In fact, the actual total amount of procurement by item for the Defense Agency was

<sup>15</sup> See [https://www.cas.go.jp/jp/gaiyou/jimu/taikou/4\\_3jibou.pdf](https://www.cas.go.jp/jp/gaiyou/jimu/taikou/4_3jibou.pdf).

<sup>16</sup> Japan Association of Arms Industry [1983], pp. 18,19

<sup>17</sup> Japan Association of Arms Industry [1983], p. 19.

230.17 billion yen for the primary DBP (FY 1958-60), 475.77 billion yen for the secondary DBP (FY 1962-66), and 1.09 trillion yen for the tertiary DBP (FY 1967-71), The quaternary DBP (FY1972-76) was 1.75 trillion yen. The total amount raised in each period was more than twice that of the immediately preceding DBP up to the tertiary DBP, but in the case of the quaternary DBP, it was only 1.6 times that of the tertiary DBP. Nevertheless, Japan's SDF had reached a level of strength that was quite impressive in the world<sup>18</sup>.

In April 1967, at a meeting of the House of Representatives Accounts Committee, Prime Minister Sato, in his answer to a question regarding the export of the Pencil Rocket developed at the University of Tokyo, stated that exports of weapons and other items were not allowed to the Communist bloc, countries prohibited by UN resolutions, parties to international conflicts, and other countries under the Operational Guidelines for Export Trade Control Orders and other regulations. This later came to be known as "the Three Principles on Arms Exports", which reminded the arms industry that overseas markets were severely restricted.

## 2. Keidanren<sup>19</sup> and Japan Association of Arms Industry's efforts to rebuild the defense industry

In this section, we will elucidate the role of the Japanese industry in the reconstruction of the defense industry. Although the defense industry encompasses industries involved in the production and distribution of a wide range of goods and services supplied for military use, this section will limit its examination to industries involved in weapons production. In addition, we will focus on the roles of the Keidanren Committee on Defense Production (hereinafter abbreviated as CODP) and the Japan Association of Arms Industry (hereinafter abbreviated as JAAI) as the industry's response.

After the defeat of the war, the U.S. forces moved into Japan, and the occupation policy developed under the indirect rule of GHQ. In December, the interim report of the E. W. Pauley reparations mission stated that the Japanese economy should be maintained at a minimum level. Japan will be liable for the compensation for the removal of machinery and equipment unique to the munitions industry. The policy for handling compensation was to transfer the assets to the country that Japan was responsible for the compensation and to make effective use of the assets. The Far Eastern Commission's statement in May was the starting point, and the properties subject to compensation in each industrial sector were placed under the control of GHQ by order of the Far Eastern Commission. The results of this process were a series of decisions on the facilities to be compensated for in 11 sectors. As a result, military arsenals and aircraft factories, civilian arms factories and basic heavy industrial facilities were planned to be removed one after another as designated reparations factories. In January 1947, the Far Eastern Commission set the standard of living of the Japanese people at the level of 1930-34, and therefore, the economic revival of Japan after the removal of the designated factories for reparations was expected to have a very difficult time recovering. Not only the Japanese government but also the U.S. viewed such removal

<sup>18</sup> Kihara [1994] pp. 92, 93.

<sup>19</sup> Keidanren (Japan Business Federation) was formed in August 1946 as an organization representing the business community, with national and industry-specific economic organizations as regular members and individual companies as supporting members. The Japan Federation of Economic Organizations, which was formed in 1922, was dissolved and joined Keidanren in order to unify economic organizations and negotiate with GHQ.

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as undesirable. In the end, with the Truman Doctrine and the Royall Secretary of War's speech, as already mentioned, the U.S. occupation policy shifted. Shifting its focus from the designation and removal of factories for compensation to Japan's economic recovery, in May 1949, F.R. McCoy, the representative to the Far East Commission U.S. announced the suspension of collections under the interim compensation plan.<sup>20</sup>

On the other hand, Japanese companies that had focused on munitions production during the war were unable to continue their operations due to the order to cease munitions production and were forced to rebuild their businesses through civilian production. However, the loss of overseas assets and the GHQ's policy of terminating wartime compensation (imposition of a special wartime compensation tax) caused many related companies to face business crises, and the Japanese government was forced to take relief measures through the Corporate Accounting Emergency Measures Act and the Corporate Restructuring and Improvement Act.<sup>21</sup> In this process, the change in U.S. occupation policy and the outbreak of the Korean War brought about a turning point, which triggered the peace issue and the movement of Japanese economic organizations in response to the special procurement boom. Although munitions production had been halted following the defeat in the war and was subject to demolition and dismantling, the Cold War and the outbreak of the Korean War brought about a major change in occupation policy, and munitions production and even weapons production were suddenly resumed. Table 3 shows that CODP, JAAI, and other organizations lobbied GHQ and the government. The following section examines the relationship between the requests submitted by these organizations to GHQ and the Japanese government and the subsequent defense industry.

**Table 3** List of Requests and Recommendations of KEIDANREN CODP and JAAI

year	month	matters
1951	1	Keidanren announced "Basic Requests Regarding the Peace Treaty"
	1	(Japan-U.S. Economic Alliance Roundtable established as a special Keidanren organization → reorganized as the Economic Cooperation Roundtable in 52.8; Defense Production Committee and other committees established)
	3	Keidanren's Opinion on Japan-U.S. Economic Cooperation Readiness
	3	Keidanren's 8th General Meeting resolution, "Our resolve on the occasion of our return to the international community"
	10	(Japan Technology Production Cooperation Association established → 52.7 Weapons Production Cooperation Association → 53.10 JWIA → 88.9 Japan Defense Equipment Industries Association)
1952	2	Keidanren requests opinions on administrative agreements
	3	Keidanren announced "Opinion on Measures to be Taken by the Government for Japan-U.S. Economic Cooperation"
	6	Keidanren announced "Opinion on various issues related to U.S. military procurement"
	10	CODP announced Opinion on Urgent Requests Concerning the Utilization of State-Owned Military Industrial and Other Facilities

<sup>20</sup> Ministry of Foreign Affairs [2017] pp. 1432-1439.

<sup>21</sup> In November 1945, GHQ ordered the termination of wartime compensation to companies on the grounds that "it should be known that war is not profitable from an economic standpoint" and the Japanese government was eventually forced to accept the order in July of the following year (SCAPIN337ESS/FI, "Removal of War Profits and Fiscal Reconstruction" (Financial History Office, Ministry of Finance [1981] pp. 517-519)). The number of special accounting companies that were required to submit development plans under the Corporate Reconstruction and Development Law for approval was 5114 as of November 1948 (Fiscal History Office, Ministry of Finance [1983] pp. 753,814).

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1953	<p>2 CODP announced "Opinion on Requests Concerning Domestic Production of Aircraft Ordered by the National Security Agency, Opinion on Requests Concerning the Service Life of Aircraft, Weapons, and Other Manufacturing Equipment"</p> <p>2 CODP announced "A Proposal on Defense Force Buildup" and "Research Material on Defense Production"</p> <p>2 JAAI submitted "Requests to U.S. government agencies in Japan regarding special procurement"</p> <p>4 CODP announced "Requests to the government regarding requests to the U.S. Air Force, etc."</p> <p>5 CODP announced "Requests and Opinions regarding special procurement contract conditions, etc."</p> <p>7 CODP announced "General Requests Regarding the Acceptance of MSACODP"</p> <p>10 CODP announced "Memorandum of Understanding on Securing Working Capital for Special Demands Weapons"</p> <p>12 CODP announced "Requests Concerning the Establishment of Machine Tool Foundations" and "Securing Funds for Equipment Related to Defense Production"</p>
1954	<p>1 CODP announced "Opinion on the Development of the Aircraft Industry"</p> <p>3 CODP announced "Opinions on the development of the defense production system" →55.1 CODP published "Analysis of the Current Status of Japan's Defense Production Sector"</p> <p>3 JAAI submitted "Opinions on fostering the arms industry" to MITI and the Economic Deliberation Agency"</p> <p>4 (JAAI and MITI jointly organized a two-month tour and survey of U.S. firearms and ammunition production facilities by engineers from member companies)</p> <p>7 (An arrangement between U.S. and Japanese contractors for the domestic production of jet aircraft was established. CODP worked hard to achieve this based on an informal proposal from the U.S. Far East Air Forces Command.)</p> <p>8 CODP distributed "The Necessity of Self-Defense Forces and the Role of Defense Production". JAAI submitted its opinion on the establishment of a defense production system to the U.S. and Japanese governments</p> <p>9 GM (Guided Missile) Roundtable Meeting by CODP, JWIA, Japan Aviation Industry Association, etc. submitted opinions on GM research policy</p> <p>10 JAAI submitted "Opinion on Current Issues in the Arms Industry" to the Minister of International Trade and Industry</p>
1955	<p>2 KEIDANREN Vice President Kogoro Uemura submitted "Problems in the Industrial Structure of Japan and the Defense Industry" (KEIDANREN Monthly Report)</p> <p>3 JAAI submitted "Urgent Request for Continued Production of Ammunition"</p> <p>4 JAAI submitted "Request for the Establishment of Defense Industry" to the Minister of International Trade and Industry, the Economic Deliberation Agency, and the ruling party.</p> <p>8 CODP submitted the "Draft Guideline for Maintenance of Ammunition Manufacturing Facilities" to the government and announced the necessity of maintaining self-defense forces and the role of defense production.</p> <p>9 JAAI submitted "Opinion on the Handling of Industrial Property Rights for Weapons Research and Prototype Commissioning Ordered by the Defense Agency" to the Defense Agency.</p>
1956	<p>2 "JAAI established a new Technical Advisory Board and a Radar Research Group (research on domestic production of equipment)."</p> <p>3 JAAI petitioned the U.S. Far East Command and the U.S. Embassy to continue ordering additional arms and ammunition, and petitioned the Defense Agency in June to increase ammunition procurement</p> <p>3 (KEIDANREN dispatched an economic cooperation goodwill civilian mission to Southeast Asia. It was also intended to study the export market for equipment.)</p>

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1957	8	CODP submitted a "Request for the Establishment of Basic Policies for the Development of the Aircraft Industry".
	11	JAAI was commissioned by the National Defense Council to conduct "research and study of various problems related to the procurement of equipment" (report submitted in 1958.5).
	12	CODP issued an opinion paper on the early determination of the next fighter aircraft model.
1958	1	CODP requested that a bill for the promotion of the aircraft industry be submitted to the current Diet session→Aircraft Industry Promotion Law was promulgated in 1958.5.
	6	CODP proposed the establishment of a Defense Industry Study Group. This study group was formed by CODP, JWIA, Aircraft Industries Association, and GM Council.
	8	CODP submitted ""Request for Continuation of Measures to Maintain Firearms and Ammunition Manufacturing Facilities".
1959	6	(The Economic Cooperation Roundtable was dissolved.) (Japan Aircraft Manufacturing Co. was established.)
	7	(A Market Measures Committee consisting of 10 leading trading companies and the Japan Machinery Export Association was established within the CODP.)
1960	3	(A survey team of the rocket industry under the jurisdiction of MITI was dispatched to Europe and the U.S., which included members of the CODP Council Office.)
	11	CODP and JWIA jointly proposed a "Request for a long-term lump-sum contract system for arms".
1961	5	(The Advisory Council for the Domestic Production of Defense Equipment was established, and this advisory council submitted eight opinions in September.)
1962	2	The Advisory Council on Domestic Production of Defense Equipment, consisting of the Keidanren, the Liberal Democratic Party, and related government agencies, issued "Opinions on the Basic Policy for Domestic Production of Defense Equipment."
	7	CODP submitted "Opinion on Arms Export".
	10	(In order to transform JAAI from a defense business guidance and development organization to a business-centered economic organization, a representative of a main member company was appointed chairman.)
1963	5	CODP issued "Opinion on Continued Production of F-104 Fighter Aircraft". (The GM Council was reorganized as the Rocket Development Council.)
1964	2	JAAI submitted "Opinion on the Suspension of Grant Aid to Japan" to the Director General of the Defense Agency.
	7	JAAI Operations Committee released "Opinion on Domestic Production of Equipment and Development of Defense Industry".
1965	8	JAAI submitted "Request for the Connection Production between Secondary DBP and Tertiary DBP and the Contents of the Next DBP" to the Director-General of the Defense Agency.
	12	JAAI submitted "Request for Tertiary DBP" to the Director General of the Defense Agency.
1967	6	JAAI submitted "Request for Long-Term Lump-Sum Contracts for Equipment" to the Defense Agency
	12	JAAI submitted "Request for Dollar Defense" to the Defense Agency.
1969	5	JAAI submitted "Request for Cost Accounting of Equipment Procurement" to the Defense Agency
	9	JAAI cooperated with CODP and organizations related to defense production to conduct a survey after the start of TertiaryDBP.

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1970	6	JAAI submitted "Request for Quaternary DBP" to the Director General of the Defense Agency.
	8	CODP released "Opinion on the Next DBP".
	10	JAAI submitted "Opinion on the Revision of Laws and Regulations Related to the Arms Manufacturing Law".
	11	JAAI submitted "Opinion on the Defense Agency's Three Policies on the Production and Development of Equipment".

- KEIDANREN (Japanese Business Federation) Committee on Defense Production is abbreviated as CODP and Japan Association of Arms Industry is abbreviated as JAAI.
- Defense Buildup Plan is abbreviated as DBP.
- The items are mainly based on CODP [1964] and JAAI [1983], but not all requests, etc. are filled in.

### (1) Establishment of the Keidanren's Committee of Defense Production (CODP)

In August 1950, the U.S. Far East Command established a Logistics Command in Japan and began placing orders for fuel tanks, napalm tanks, and other equipment. In January 1951, when Special Envoy Dulles came to Japan to conclude a peace treaty, Keidanren requested not only emergency procurement for the Korean War but also economic assistance and development of economic cooperation after peace.<sup>22</sup> To this end, in February, Keidanren, in consultation with GHQ, established the Japan–U.S. Economic Alliance Roundtable to “formulate a private-sector approach to the basic principles of Japan–U.S. economic cooperation. In March 1952, GHQ lifted the ban on the manufacture of weapons in Japan, allowed the repair and manufacture of aircraft and weapons, and lifted the compensation designation of former military arsenals and civilian weapons factories, among others, so that the U.S. military could procure finished weapons (from May 1952). The organization was expanded and strengthened from a forum for general economic cooperation to one that dealt with comprehensive and realistic issues, such as armaments, defense policy, and Asian reconstruction and development, and its name was changed to the Council for Economic Cooperation.<sup>23</sup> According to the organization’s establishment outline, the purpose is “to cooperate in strengthening defense production in the Far East region in partnership with the United States and other countries, and to cooperate in the reconstruction and development of Southeast Asia with Japan’s industrial capabilities and technology, etc.” The organization will work in constant collaboration with Japanese and U.S. government agencies and related private organizations to discuss private sector opinions and basic policies for cooperation and to formulate and implement the research and implementation of specific measures. The organization was to cooperate in the formulation of basic policies for private sector input and cooperation and in the study and implementation of specific measures.<sup>24</sup> The council had three subcommittees: general policy, Asian reconstruction and development, and defense production, whose members consisted of more than 30 executives from leading Japanese companies at the time. When

<sup>22</sup> March 1951, Japan–U.S. Economic Partnership Roundtable, “Opinions on the Cooperative Posture of the Japanese and U.S. Economies” (Keidanren Committee on Defense Production [1964], p. 7).

<sup>23</sup> Although this was before the establishment of Keidanren Committee on Defense Production, the Roundtable presented the “Requested Opinions on Administrative Agreements” to the U.S. side in February 1952 and obtained an understanding that the U.S.-Japan Joint Committee, which serves as an operational coordinating body for the administrative agreements associated with the Japan–U.S. Security Treaty, would discuss coordination, dispute settlement, contract methods and compensation for losses in the extraterritorial procurement of U.S. forces (Kondo and Osanai [1978], p. 225).

<sup>24</sup> Keidanren Committee on Defense Production [1964], pp. 44-47.

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the U.S. began calling for the conclusion of an MSA between Japan and the U.S. to build a mutually defensive Japan–U.S. relationship based on the Mutual Security Act and to strengthen Japan's self-defense capabilities, this organization actively advocated for the conclusion of such an agreement.

CODP formed within Keidanren's Council for Economic Cooperation, is a central organization in the development of Keidanren's line. As mentioned above, it was established in August 1952 when the council was reorganized, and it became an important body for disseminating Keidanren's proposals on the defense industry and defense issues. Initially, CODP was chaired by Kiyoshi Goko (former president of Mitsubishi Heavy Industries, Ltd. and advisor to the Japan Industrial Council), and permanent members included representatives of leading companies, such as Mitsubishi Heavy Industries, Komatsu, Nippon Kayaku, and Hitachi, Ltd. The committee then established specialized committees on weapons, ships, aircraft, explosives, electricity, fuel, machinery, funds, and service life, each chaired by a representative of a leading company in the industry, such as Taizo Ishizaka, president of Tokyo Shibaura Electric Co. In addition, a deliberation room was set up in CODP, with Kogoro Uemura, advisor to Keidanren, as head of the office, and former military officers familiar with equipment, including Zenshiro Hoshina, former lieutenant general of the navy and director general of the Ordnance Bureau of the Ministry of the Navy, Sadanori Harada, former lieutenant general of the army and director general of the Air Weapons Directorate I, Ministry of Munitions, and Masao Yoshizumi, former lieutenant general of the army and director general of the Military Affairs Bureau of the Army Ministry, as members, as well as assistants including a former military officer of the rank of colonel and a former military officer of the rank of engineer. In addition, a general-level former military officer was selected as a technical advisor, and Haruji Kan, a former lieutenant general and director of the Army Ordnance Administration Headquarters and vice president of the Weapons Production Cooperation Association (see below), was added as a technical advisor.<sup>25</sup> Such a lineup would appear to indicate that CODP was attempting to create a full-fledged roadmap for getting weapons production off the ground in Japan and developing the defense industry.

After the Peace Treaty came into effect, the U.S. began to strongly urge Japan to strengthen its self-defense capabilities and switch from grant aid to paid aid, with a view to concluding an MSA as a way of providing assistance to Japan. Korean special procurement had restarted Japan's military production, but the extent of its potential and the extent to which the Japanese government and industry were willing to enhance Japan's self-defense capabilities had not yet been confirmed. The Yoshida cabinet of the time expected as much U.S. assistance as possible for economic reconstruction while allowing U.S. forces to remain in Japan, and when the armistice talks began in July 1951, industry also expected new assistance (new special procurement) to replace the Korean special procurement.<sup>26</sup> CODP decided to compile the gradual increase in defense force required in line with the security treaty into a proposal with detailed specific numerical targets and present it to the government and U.S. branch office as reference material to help plan the ordering of special procurement. The "Draft Proposal on Defense Force Development" and the

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<sup>25</sup> Keidanren Committee on Defense Production[1964], pp. 42-48; Kondo and Osanai [1978], pp. 216, 218-220.

<sup>26</sup> Regarding the special demand for Korea, Nakamura Takafusa and Yoshio Asai indicate \$592 million and \$740 million, respectively, for the period from the start of fighting in June 1950 to the end of large-scale fighting with the start of armistice talks in July of the following year. In any case, the impact of the special demand paid in dollar amounts must have been large when exports in 1950 and 1951 were \$800 million and \$1.4 billion per year, respectively (see Nakamura [2012], p. 569 and Yoshio Asai [2003]).

underlying “Survey Data on Defense Force Production” submitted in February 1953.<sup>27</sup>

According to the “Draft” and the “Survey Data,” the scale of the defense force targeted to be achieved five years later, in FY1958, would be 300,000 troops in 15 divisions, with equipment equivalent to 30 divisions for the ground forces, 70,000 troops in 290,000 tons of naval vessels for the sea forces, 130,000 troops in 3,750 aircraft for the air forces, and an annual average cost of 480 billion yen. The total cost would be 2.9 trillion yen. However, such defense expenditures “cannot be borne in their entirety by our national economy” (annual defense expenditures/projected national income = 7.3–10.2%), and the corresponding “production capacity of Japan’s defense industry cannot be developed in a given period. The report concluded that Japan’s defense expenditure, which it could financially bear, would be about 56% of the target, or 1.6 trillion yen (3.8 to 4.9% of projected national income), and that the remaining 44%, or 1.3 trillion yen (\$3.5 billion), would have to be provided by the United States. The \$3.5 billion in U.S. dependence consists of 559 billion yen (\$1.5 billion: naval vessels, aircraft, and other specific weapons = tanks, anti-aircraft guns, some underwater weapons, etc.) in kind and 710 billion yen (\$2 billion) in financial assistance. For all equipment (tanks and firearms) for the ground forces, Japan depended on the U.S. It also did for more than 80% of the construction cost of naval vessels for the maritime forces, including in-kind donations, and for half of the aircraft in the air forces, including in-kind donations. So the initial stage was envisioned to be overwhelmingly dependent on the U.S.<sup>28</sup>

This “tentative plan” was prepared by the above-mentioned deliberation room, and since experts from the army and navy who were in charge of logistics during the war joined the committee, it was a very elaborate draft plan and was also large enough to aim at the creation of a self-defense force that could stand on its own.<sup>29</sup> However, it was unrealistic at the time to assume such an injection of funds and grant aid on the part of the United States. Even within CODP, which prepared the “draft”, there were some who questioned the plan, but it was nevertheless published without any reduction. It can be said that the plan reflected the unity of interest between the ex-servicemen and industry, despite the differences in perception between the two. In other words, ex-servicemen who had experienced wartime control and mobilization envisioned a military force capable of defending itself, while the industrial world aspired to economic development and a stable expansion of the defense industry through the continuation of special procurement demand and were eager for new business opportunities through U.S. grant aid for Japan’s self-defense buildup and increased aid to the Southeast Asian region. It is believed that both sides had a common interest in drawing more U.S. assistance.

In preparation for the conclusion of the four MSA-related agreements, the Japanese and U.S. governments also worked out a plan to enhance Japan’s defense capabilities and the nature of U.S. assistance. Prior to the Ikeda-Robertson talks mentioned above, CODP proposed the “General Opinion on Acceptance of MSA” in July 1953, emphasizing that Japan had a natural responsibility to improve its self-defense capability on its own initiative and that MSA assistance should be used to systematically introduce special demand as a transitional measure until Japan achieved economic independence. The committee also expressed its support for the conclusion of the MSA by the industry, arguing that not only

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<sup>27</sup> Keidanren Committee on Defense Production [1964], pp. 93-105. As for the position of this “Tentative Plan,” Ishii [2003] also sees it as a “rearmament plan” for the acceptance of MSA assistance.

<sup>28</sup> Defense Production Board [1964], pp. 91-105.

<sup>29</sup> Senga Tetsuya, then secretary general of the Defense Production Board, later recalled that the “Tentative Plan” was “a very brave idea to cooperate with the U.S. on an equal footing” (Kondo and Osanai [1978], p. 229).

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U.S. arms assistance but also extraterritorial procurement would promote the development of the defense industry and be useful not only for national defense but also for supplying arms to the Southeast Asian region.

After the four MSA-related agreements were signed in March 1954, CODP proposed “Requests and Opinions Concerning the Development of the Defense Production System,” which requested that defense production should be planned, that the goals of defense industry development should take into consideration not only the SDF but also the renewal of equipment and the replenishment of supplies for free nations in the Far East region, and that subsidies for research and development costs should be provided. The committee also requested subsidies for research and development expenses, special tax measures, financial facilities, and subsidies for long-term contracts, etc.<sup>30</sup> As already mentioned, when the Defense Agency was established in the same year and became the controlling organization for the Ground, Maritime, and Air Self-Defense Forces as a self-defense force, it further continued its building activities, calling for a longer-term and systematic “defense buildup plan” emphasizing “defense production as the base of self-defense” and support measures for such a defense industry.

With the conclusion of the MSA and the establishment of the Self-Defense Forces, the domestic defense industry intensified its activities towards the domestic production of defense equipment. The resumption of equipment production was facilitated by the Korean Special Demands, and the April 1952 revision of the Joint Ministerial Ordinance of the four ministries regarding restrictions on the production of weapons, aircraft, and other items made it possible to produce and repair weapons, aircraft, and other items subject to GHQ approval. In May, the first complete weapon (4.2-inch mortar) was ordered from the U.S. Military Procurement Department in Japan in an extraterritorial procurement. In June 1954, the Aircraft Manufacturing Business Act was enacted, replacing the Aircraft Manufacturing Act, whose main purpose was to deal with the actual situation in response to special procurement demands, and which had little regulatory power and did not consider measures to foster the development of the industry. The Act functioned as a “coordination” law that prevented the proliferation of weakly based companies and enabled the selection of factories with a strong financial basis and technical capabilities. CODP received an informal proposal from the Far Eastern Air Force Headquarters to produce jet fighters and trainers for the Air Self-Defense Force in Japan on a Japan–U.S. joint sharing basis. The government hesitated, fearing an increase in defense costs due to the shift from grant aid to payment, but CODP persuaded the government by insisting on “defense production as the base of self-defense”, as emphasized in the “Request for the Improvement of Defense Production Systems” submitted in March 1954. In June 1955, the government agreed to the joint domestic production of jet aircraft (F-86-F fighters and T-33-A trainers) in Japan.<sup>31</sup> The main contractor for the production of 300 fighter jets was Shin Mitsubishi Heavy Industries, while Kawasaki Aircraft Industries was the main contractor for 210 trainer jets, which were to be manufactured during the 1956-1958 fiscal years.

In August 1955, the Council Office of CODP issued an interesting opinion. It examined “Theoretical Issues Concerning Defense Production” and published a document entitled “The Necessity of Maintaining Self-Defense Forces and the Role of Defense Production,” in which it listed five points as the contribution of defense production to the national economy. In the document, defense production is considered to contribute to the national

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<sup>30</sup> Keidanren Committee on Defense Production [1964], p. 72.

<sup>31</sup> Keidanren Committee on Defense Production [1964] 14, pp. 125-127.

economy in five ways: (1) some defense production can become an export industry, (2) it can increase employment and national income, (3) it can promote the sophistication of the industrial structure, (4) it can contribute to the advancement of industrial technology, and (5) it can promote the export of general commodities. In this connection, Keidanren Vice President Kogoro Uemura discussed the “Problems of Japan’s Industrial Structure and the Defense Industry” in the “Keidanren Monthly Report” of February 1955. Criticizing the argument that the defense industry is unnecessary, Uemura emphasizes that “the establishment of the defense industry is closely related to the improvement of the technological level of general industry because the recent defense requires the highest level of technology in aircraft, electronic weapons, etc.” and that “from the viewpoint of general industrial technology, the defense industry is in a very important position”.<sup>32</sup> Since the defense industry requires the highest level of technology, the argument goes, this will lead to advances in industrial technology. However, in the case of the application of military technology to civilian products, this view would be accompanied by a number of important reservations, since in practice there are various barriers such as secrecy, mass production techniques, and production cost reductions.<sup>33</sup>

## **(2) Establishment of the Japan Association of Arms Industry (JAAI)**

According to “*The Thirty-Year History of the Japan Association of Arms Industry*,” the predecessor of this organization, the Japan Technical Production Cooperation Association, was established in 1951. The GHQ, which was in dire straits for weapons and other supplies during the Korean War, requested the cooperation of Lieutenant General Haruji Kan, former Director General of the Army Ordnance Administration Headquarters, with a view to procuring such items in Japan. The company’s advisors included Kiyoshi Goko, former president of Mitsubishi Heavy Industries, Keizo Shibusawa, former minister of finance, and Ryozo Asano, former president of NKK. However, because it was a group of people who had been expelled from public office, it could only be organized as a joint-stock company.<sup>34</sup> The company was capitalized at 3 million yen, and its purpose was to “gather together dilapidated weapons manufacturing facilities and dispersed engineers to stand between the U.S. military, the Japanese government authorities, and private companies to cooperate in the manufacture, repair, and supply of U.S. military weapons. In 1952, this organization was reorganized into the Weapons Production Cooperative Association, a voluntary association of member organizations, and the following year into JAAI. It had Goko as chairman, companies related to weapons production as regular members, civilian and former military engineers as technical members, and a mandate to deal with Korean special demand and weapons orders from the National Security Agency and Defense Agency and to maintain relations between the Japanese defense industry. The organization maintains relations with the Japanese government and the U.S. military by handling Korean special procurement and weapons orders from the National Safety Agency and the Defense Agency. At the time of its establishment, the organization was not engaged in profit-making activities but was engaged in the investigation and collection of information on dilapidated weapons production facilities and scattered military technology,

<sup>32</sup> Keidanren Committee on Defense Production [1964], pp. 112-117.

<sup>33</sup> Fujita [2018] takes a negative view of the Keidanren’s perspective, which encourages the development of “dual-use technologies” today, citing transistors, electronics technology, and NC machine tools as examples of successful “civilianization of military technology”.

<sup>34</sup> Japan Association of Arms Industry [1983], p. 2. In 1988, the association was transformed into the Japan Defense Equipment Industry, and in 2012, it was transformed into the Japan Association of Defense Industry (JADI), a general incorporated association, to continue its operations.

liaison, and coordination among dispersed engineers and in “consulting work” in response to inquiries from the U.S. military and foreign countries concerning weapons technology. In 1952, when the organization was reorganized as the Weapons Production Cooperative Association, a constitution was established, and the organization’s activities included introducing the status of weapons orders, providing guidance and assistance regarding ordered items and their production methods, researching and introducing professional engineers, planning weapons production facilities, submitting research materials, cooperating with receipt inspections, responding to inquiries from military and government officials who placed orders, and introducing the industry’s actual situation and offering opinions. The objectives of the Society, which was renamed the Japan Association of Arms Industry in October 1953, were to contribute to the promotion and development of the arms industry and the improvement of related technologies, as well as to promote friendship among members. The association initially supported the supply of U.S. forces during the Korean War, but with the establishment of the National Safety Forces and the Japan Self-Defense Forces, interest in equipment research and supply increased. Around 1954, a Tank Committee, Underwater Weapons Subcommittee, Fire Control System (FCS) committee, Rights of Industrial Property Committee, Radar Study Group, Pistol Study Group, Rocket Study Group, Electronics Committee, and Ammunition Domestic Production Study Group, etc. were established. These were also in preparation for the domestic production of defense equipment in response to the request of the Defense Agency.<sup>35</sup>

In 1953, the Arms Production Council was established with respect to the Law on the Production of Arms, etc. In February 1954, when the Minister of International Trade and Industry asked for advice on subsidies for the arms industry, Mr. Goko, president of JAAI, was appointed chairman of this council, and many of the association’s technical experts became members of the technical subcommittee established within the council. They were involved in the drafting of the report, which included the early establishment of a defense plan, ensuring economical production, maintaining production on an appropriate scale, giving consideration to the export industry, and maintaining the firearms and ammunition industry.<sup>36</sup>

In 1955 and 1956, JAAI was involved in the protection of corporate interests in industrial property rights and ammunition procurement, as shown in Table 3. In response to a decline in the number of orders, JAAI submitted a letter of opinion requesting the maintenance of related companies by placing additional orders, thereby encouraging the development of the defense industry. In the 1957-1959 fiscal year, about 140 million yen was granted as a subsidy for the maintenance of defense industrial facilities. This was probably the result of these opinion letters.

In addition, from 1956 to 1961, JAAI was commissioned by the Defense Agency and other government agencies to prepare drafts of standards for equipment and other products. In this respect, it can be seen that JAAI was building a close relationship with government agencies and was taking on the task of responding to technological advances in weaponry and other products.

### **(3) Domestic defense production after primary DBP and the functions of CODP and JAAI**

It will be only after the Japanese government begins to decide on the DBP that the National

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<sup>35</sup> Japan Association of Arms Industry [1983], p. 6.

<sup>36</sup> Japan Association of Arms Industry [1983], p. 7.

Defense Council and the Cabinet meeting will be able to consider and decide on defense force development in a somewhat systematic manner. In order to stably provide defense equipment indispensable for self-defense reinforcement on its own, the Japanese government was required to spend a large amount of money from the national budget. 4 DBPs were formulated from 1958 to the 1970s. Defense equipment procurement trends were as shown in Table 4. The equipment in the founding period of the SDF was heavily dependent on U.S. grant aid.<sup>37</sup>

**Table 4** Procurement Trends by Fiscal Year, Long-Term Plan, and Procurement Method

classification fiscal year	Domestic Procurements(A)			General Import(B)			FMS(C)			subtotal (D=A+B+C)	Grants-in-Aid(E)		total (F=D+E)
	amount of money	propotion (%)		amount of money	propotion (%)		amount of money	propotion (%)			amount of money	propotion (%)	
		A/D	A/F		B/D	B/F		C/D	C/F	E/F			
1950-57	241,519	95.3	39.6	9,477	3.7	1.6	2,499	1.0	0.4	253,495	356,863	58.5	610,358
1st DBP(1958-60)	278,913	91.0	62.4	10,860	3.5	2.4	16,848	5.5	3.8	306,621	140,494	31.4	447,115
1961	70,249	85.1	64.7	6,311	7.6	5.8	5,972	7.2	5.5	82,532	26,080	24.0	108,612
2nd DBP(1962-66)	578,135	87.8	81.6	42,397	6.4	6.0	38,203	5.8	5.4	658,735	49,710	7.0	708,445
3rd DBP(1967-71)	1,282,897	91.8	91.6	66,202	4.7	4.7	47,833	3.4	3.4	1,396,932	3,275	0.2	1,400,207
4th DBP(1972-76)	2,158,818	93.0	93.0	100,123	4.3	4.3	61,656	2.7	2.7	2,320,597	0	0.0	2,320,597
Total	4,610,531	91.9	82.4	235,370	4.7	4.2	173,011	3.4	3.1	5,018,912	576,422	10.3	5,595,334

- The amount of the grant aid was recorded based on the amount received.
- FMS : Foreign Military Sales. The grant aid includes the loan of vessels. Receipt of the grant ended in FY1969.
- Source: FY1975 financial results (House of Councillors Accounts Committee Research Office).
- Source: Reproduced from figures in Nagamatsu [1979], pp. 62, 63.

U.S. aid is shifting from grant aid to paid aid, but in terms of amount, it does not account for a large proportion of the total. The percentage of domestic procurement has expanded dramatically. In primary DBP, U.S. grant aid has been greatly reduced, and as a result, domestic procurement now accounts for more than 60% of the procurement value, with U.S. grant aid ratio accounting for only 31% of the total. In the case of secondary DBP, domestic procurement now accounts for more than 80% of total procurement, indicating that domestic defense production has begun to take off in earnest. However, the scale of domestic procurement does not imply independence in terms of weapons and military technology, as Japan is heavily dependent on the U.S. for advanced technology and fighter aircraft.<sup>38</sup> In addition, even if there is a price increase, taking into account the fact that domestic procurement amounts for primary to quaternary DBP have each more than doubled or increased significantly over the previous period, it is thought that there has been a remarkable development of the domestic defense industry in the background. We will discuss this point later and examine the role of CODP and JAAI in each period.

<sup>37</sup>According to Keidanren Committee on Defense Production [1964], p. 169, the U.S. arms aid (grant aid) to Japan amounted to 345.5 billion yen during the period 1951-1957, of which 108.7 billion yen was for equipment, 95.2 billion yen for the Ground Self-Defense Force, of which 62.7 billion yen was for 170 ships and 13.4 billion yen for 163 aircraft, and 54.3 billion yen for the Air Self-Defense Force. This indicates that equipment during this period was heavily dependent on this grant aid. Note that the amounts differ slightly from the grant aid amounts in Table 3.

<sup>38</sup>In the case of domestic procurement and production, since it includes licensed domestic production of products developed in foreign countries in addition to products based on proprietary technologies, the technological dependence cannot be determined by the amount of procurement alone.

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### ① Primary DBP period: 1958-60

Primary DBP began in 1958 after the withdrawal of U.S. ground forces in Japan was completed. As shown in Table 2, the first emphasis during this period was on air defense in terms of equipment, and CODP also submitted a draft proposal, "Request for the Establishment of Basic Policies for the Development of the Aircraft Industry" in 1957, and in 1958, CODP also submitted a proposal to the Diet, "Requesting the Submission of an Aircraft Industry Promotion Bill to the Diet" (Table3). The former called for the establishment of a long-term plan, the establishment of measures for the export of aircraft, and special measures for their development in the areas of finance, taxation, subsidies for testing and research, proper cost accounting, and the introduction of technology, while the latter also called for the development of a law to promote the aviation industry for the domestic production of aircraft, which led to the promulgation of the law in May of the same year. CODP actually promoted domestic production of medium-sized aircraft, and the results became evident during the 2DBP period.

Next, in 1958, CODP called for the Defense Industry Study Group to be formed by defense industry-related organizations to promote the domestic production of defense equipment in general in response to U.S. aid to Japan being paid for. This study group aimed to analyze the current status and future prospects for domestic production in each sector of the defense industry, and to contribute to the formulation of the government's annual plan. In addition to CODP, JAAI, the Japan Aviation Industry Association, and the Guided Missile (GM) Research Association participated in this study group, and within this study group, the General Coordination Committee, the Policy Committee, and the Technical Committee were established. The following subcommittees were established under these committees: Aviation(studies on domestic production of P2V anti-submarine patrol aircraft, intermediate jet training aircraft, large helicopters, FX fighters, etc.); Weapons (armouring of the 7th Mixed Group, development of land-based equipment and mass production system, continued development of weapons for maritime forces and study of production system); Missiles (study on research and basic trial production of 28 related companies, which had been almost undeveloped); Electronics (study on research and development system of code analyser, secret communication device and its analyser, radar, navigation aid device, etc.); Naval vessels (study of building submarines, missile-carrying patrol vessels, and helicopter carriers) and Fuel.<sup>39</sup> The contents of these studies were submitted as an interim report in 1959, and it is believed that they were referred to in the annual plan of the Defense Agency.

In 1959, the Market Measures Committee was established within CODP, consisting of the presidents of 10 trading companies, including Mitsubishi Corporation, Mitsui & Co., Marubeni Corporation, Itochu Corporation, and the Machinery Center for Trade and Investment. This Committee considered the development of overseas markets and special export measures to overcome bottlenecks in the weapons and defense equipment industry, such as high-mix low-volume production and rapid obsolescence. Part of the results of the study was submitted as the "Opinion on Weapons Exports" in 1962, and after discussion at the Defense Equipment Domestic Production Roundtable, it was proposed as a reference opinion to the prime minister, relevant ministers, and the LDP's Political Affairs Research Committee.<sup>40</sup>

In addition, members of CODP and the GM Council (see below) accompanied the

<sup>39</sup> Keidanren Committee on Defense Production[1964], pp. 148, 172-181; Japan Arms Industry Association [1983], p. 8.

<sup>40</sup> Keidanren Committee on Defense Production[1964], pp. 198-206.

Liberal Democratic Party (LDP) survey team and travelled overseas under the jurisdiction of MITI to investigate the international military situation in 1959 and the rocket industry in 1960. They reported on the current status of international joint R&D and joint production, as well as problems in importing finished products and licenced production.<sup>41</sup>

By the way, as already mentioned, JAAI, circa 1956-61, was commissioned by the National Defense Council to survey the procurement of equipment. At the same time, JAAI has been commissioned by the Japan Defense Agency and other government agencies to draft standards for defense equipment and devices. Although JAAI describes itself as “the only industrial organization in charge of domestic arms production in both name and reality,” it can be seen that as the domestic production of defense equipment expands, JAAI is taking on the task of keeping up with technological advances in weapons and other equipment. While it played an important role in following up on the technical aspects of defense equipment, it was also a member of the above-mentioned Defense Industry Study Group, and in 1960, jointly with the CODP, it was involved in demand activities related to the profitability of defense industry management, such as the “Request for a Long-term Lump-sum Contract System for Weapons” (Table 3).<sup>42</sup>

## ②Secondary DBP period: 1962-1966

The Kishi cabinet resigned in July 1960 due to the Security Riots. The drafting of DBP came to a standstill due to political instability, but DBP was officially decided in July 1961. We will review four characteristic matters in which the industry was involved in defense industrial policy during this period.

First, as Table 4 shows, the ratio of U.S. grant aid to Japan has declined sharply, the amount of U.S. paid aid has increased sharply, and the ratio and amount of domestic procurement have increased sharply. In response, the industrial sector has been lobbying the U.S. to avoid reductions in extraterritorial procurement and U.S. aid to Japan and has demanded that the government substitute domestic production for foreign procurement. In addition to the opinion submitted by JAAI in 1964, as shown in Table 3, the industry has also lobbied the U.S. government and business community for good measures against the prohibition of the exchange of military vehicles in FY1963 and thereafter, which had been continued since FY1957 in the U.S. fiscal year.<sup>43</sup> The exchange of military vehicles is structured as follows: procurement of new Japanese vehicles by the U.S. military → free transfer to the Self-Defense Forces → return of used vehicles by the Self-Defense Forces → refurbishment by the U.S. military and provision to Southeast Asian countries.

Next was the promotion of domestic aircraft production. In 1957, due in part to the high compatibility between military and civilian aircraft, the Japan Transport Aircraft Design and Research Association began research on the design of a medium-size transport aircraft. In 1959, the Japan Aircraft Manufacturing Corporation was established with a capital of 500 million yen as a joint public-private investment. The capital was increased to 4.9 billion yen. Kawasaki Aircraft, Shin Mitsubishi Heavy Industries, Shin Maywa, and Fuji Heavy Industries completed the major parts of the aircraft, except for the engine, propeller, and other parts, which had to be imported. This was the first domestically produced

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<sup>41</sup> Keidanren Committee on Defense Production [1964] pp. 222, 226, 227, 230-235. Already at this stage, the advantages of international joint development and production and the problems of importing finished products or producing under licence are pointed out, but no mention is made of constitutional restrictions.

<sup>42</sup> Long-term contracts are realized in the 1962 budget process. Keidanren Committee on Defense Production[1964], pp. 157, 160 and Japan Association of Arms Industry [1983], pp. 3, 11.

<sup>43</sup> Keidanren Committee on Defense Production[1964], pp. 191-196.

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aircraft, the YS-11, which was purchased and put into practical use by All Nippon Airways and the Defense Agency Secondary DBP.<sup>44</sup>

Furthermore, the introduction of anti-aircraft equipment was considered a new plan for the secondary DBP period, and surface-to-air guided missile (Nike and Hawk) units were deployed at the end of the secondary DBP period. The Guided Missile Committee was established in 1953 within CODP as a specialized committee for weapons, aviation, and electricity, and was followed by research and study by the GM (guided missile) Advisory Council, which included government agencies, JAAI, and the Japan Aerospace Industries Association. After research and study by the GM (guided missile) Advisory Council, formed in 1957 by 41 member companies from the weapons, electronics, and aviation industries under the guidance of the Defense Agency's Equipment Bureau, the equipment was provided by the United States under a grant and cost-sharing licensed production system.<sup>45</sup> Then, domestic production of Nike and Hawk began in FY1966 through licensed production. The GM Council also took charge of space development, and in 1964, it was renamed the Japan Rocket Development Council. It was dissolved in 1974 on the grounds that it had accomplished its mission. The Japan Aerospace Industries Association took charge of space development, and JAAI took over military missile development.<sup>46</sup>

Finally, it should be noted that JAAI underwent a certain change in its activities during this period, abolishing technical membership and replacing it with associate membership and individual membership in a 1959 revision of the Articles of Incorporation, as the number of weapons-related engineers increased within corporate member companies and JAAI no longer needed to provide technical guidance. In October 1962, the association invited Mr. Kono, president of Mitsubishi Nippon Heavy Industries, Ltd., as its chairman, and in 1964, it established the Operations Committee as an advisory body to the chairman to strengthen cooperation with the Defense Agency, the Ministry of International Trade and Industry, and other government agencies closely related to the defense industry. In 1964, the company established the Operations Committee as an advisory body for the chairman to strengthen cooperation with the Defense Agency, MITI, and other government agencies closely related to the defense industry. As seen in Table 3, the number of opinion letters submitted to government agencies has increased since then. They have demanded "bridging production" to fill the gap that may occur between secondary and tertiary DBP and to improve subsidy amounts that are less than the actual R&D costs of companies from the survey on the actual status of secondary DBP.<sup>47</sup>

### ③ Tertiary DBP period:1967-71

The tertiary DBP pointed to the improvement in the domestic technology level, appropriate domestic production of equipment, and emphasis on anti-submarine and air defense capabilities. As shown in Table 4, domestic procurement of equipment has exceeded 90%, and some assess that "we have entered the full-scale phase of 'independent' equipment".<sup>48</sup> Three points regarding the involvement of industry in defense policy should be reviewed here.

The first point is the policy of increasing anti-submarine and air defense capabilities. As seen in Table 2, the actual amount for procurement from the secondary DBP to the tertiary

<sup>44</sup> Keidanren Committee on Defense Production[1964] pp. 207-215.

<sup>45</sup> Keidanren Committee on Defense Production[1964], pp. 136-146; Kondo and Osanai [1978], p. 264.

<sup>46</sup> Japan Association of Arms Industry [1983], p. 86.

<sup>47</sup> Japan Association of Arms Industry [1983], pp. 11-13.

<sup>48</sup> Kihara [1994], p. 104.

DBP (central procurement) exceeded 1 trillion yen, an increase of approximately 2.3 times, with an extremely large increase of 3.6 times in aircraft purchase expenditures. Although not shown in the table, the aircraft purchase cost for tertiary DBP was 384.3 billion yen, accounting for 35% of the central procurement cost and far exceeding other items. In the aviation sector, the Maritime Self-Defense Force's PS-1 anti-submarine amphibian (formally introduced in 1970) C-1 jet transport aircraft (under research and development), T-2 advanced jet trainer aircraft (research and development started in 1967), P-2J anti-submarine patrol aircraft (deployed in 1969), and F-4EJ fighter aircraft (next main fighter aircraft; licensed production started in 1969) were all introduced during this period. Research and studies were also being conducted on the PXL anti-submarine patrol aircraft (the next anti-submarine patrol aircraft, yet to be decided).<sup>49</sup> And in terms of increasing air defense capabilities, the domestic production and deployment of Nike and Hawk missiles, introduced in the final phase of the secondary DBP, became a key issue. As shown in Table 3, JAAI continued to actively request the Defense Agency to secure a budget, place orders based on a long-term plan and long-term lump-sum contracts, develop future-oriented technologies, and secure a budget for such development, while at the same time demanding the promotion of domestic production of Nike and Hawk.<sup>50</sup> In 1968, partly as a result of these efforts, the Japanese government approved the "Technical Collaboration Agreement for the Design and Manufacture of Nike Hercules Missiles" between Mitsubishi Heavy Industries and McDonnell Douglas, and the "Technical Collaboration Agreement for the Manufacture of Hawk Systems" between Mitsubishi Electric and Raytheon Technologies of the U.S., and licensed production was started in Japan. As a result, procurement of guided weapons now accounts for 7% (about 75.5 billion yen) of the major items in the composition of tertiary DBP in Table 2, approaching the composition of ships and weapons.

Second is the issue of R&D and prototype support, as well as the costing of defense equipment. Since the conclusion of the MSA, the industry has advocated "defense production as the base of self-defense capabilities" and has demanded that the government provide adequate support for R&D. However, tertiary DBP required equipment that required advanced technological capabilities, such as aircraft and guided weapons production, and the defense industry was also required to increase its R&D capabilities. In response, in 1969, JAAI and CODP, in cooperation with other defense production-related organizations, conducted a survey of the actual situation after the inauguration of the Tertiary DBP, focusing on the Defense Agency's technological R&D in fiscal 1967 and 1968. As a result, it became clear that the private sector's share of R&D expenditures was extremely high, particularly for weapons, missiles, and vehicles. Considering the fact that the ratio of actual procurement to prototypes in Table 2 has decreased for the Tertiary DBP, and that the increase in the amount is not significantly different from the increase in the total amount, the reality emerges that despite the publicity about the importance of R&D, prototypes and R&D expenditures have not increased. In this regard, JAAI calls for securing a budget that can be allocated to R&D expenses<sup>51</sup> and, as shown in Table 3, for "appropriate contract prices" based on "budgets set in line with actual conditions and cost accounting commensurate with reality" in accounting for defense equipment procurement.<sup>52</sup> As a reason for this, they pointed out that while rising prices and labour costs are affecting production costs due to inflation during a period of rapidly rising GNP, weapons are special

<sup>49</sup> Kondo and Osanai [1978] pp. 276, 288, 289.

<sup>50</sup> Japan Association of Arms Industry [1983], pp. 13, 14.

<sup>51</sup> Japan Association of Arms Industry [1983], p. 17.

<sup>52</sup> Japan Association of Arms Industry [1983], p. 15.

products for which companies themselves cannot develop their own markets, and cost reductions through increased production are not expected.

The third is about “the Three Principles on Arms Exports”, as stated by Prime Minister Sato in his 1967 Diet speech. Even after the Korean special procurement, overseas arms transfers peaked at 15 billion yen in the mid-1950s, and exports continued to some extent since 1963, due to extraterritorial procurement and new special procurements. However, the Three Principles on Arms Exports, which may have reflected anti-Vietnam war sentiments, led to the implementation of restrictions on exports. In 1968, since there were no restrictions on plants, the company exported ammunition manufacturing equipment to the Philippines as postwar compensation. On the other hand, a significant portion of weapons manufacturers switched to civilian demand during the process of rapid economic growth, and companies that continued to produce weapons also shifted their focus to producing weapons for the Self-Defense Forces. As a result, they appear to have remained static with regard to these three principles.<sup>53</sup> JAAI, which had stipulated in its articles of incorporation “matters related to the promotion of arms exports” as its business, “decided that its basic policy was to follow government policy, effectively abandoning any expectation of arms exports.”<sup>54</sup> Later, in 1976, the Miki cabinet expanded the scope of the three principles and the areas to which they applied, but at the same time, it gradually hollowed out the arms export regulations by narrowing the category of “arms” and creating exceptions that exempted them from application.

#### ④ Quaternary DBP period: 1972-76

Defense Minister Nakasone, who had been advocating self-defense partly because of the Nixon doctrine and the revision of the Japan–U.S. Security Treaty in 1970, emphasized “exclusive defense” as a basic policy while modernizing land-based equipment, domestic production of equipment, and emphasizing R&D, with the view that equipment development and production should be “in principle limited to the home industry”. He was perhaps a politician who was favourably disposed to the defense equipment industry. However, in the development of the defense industry, he mentioned the “introduction of appropriate competition principles,” and JAAI immediately issued an order that “the introduction of competition principles should be handled with caution.”<sup>55</sup> In this section, we will examine the trends in the domestic industry and production of equipment, which were emphasized in the defense policy.

In 1970, when the fourth DBP period was under consideration, JAAI submitted a request, as shown in Table 3. In it, they requested the consideration of an appropriate budget and reasonable contract prices, with emphasis on R&D to promote domestic production, the formulation of a long-term plan to stabilize defense production, and the improvement of an advance payment system to deal with the increasing size and length of procurement.<sup>56</sup> Although these were matters of concern to the defense industry, it can be said that these requests were made out of consideration for the economic situation at the time, when labour costs and prices were rising, and because of the increase in large-scale projects for aircraft and other equipment. The requests were also because of the increasing number of

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<sup>53</sup> Tetsuya Senga, who was secretary general of the Defense Production Committee, looks back on those days and states that the focus was on aircraft and weapons production for the SDF and that “enthusiasm for developing export markets had waned” (Kondo and Osanai [1978], p. 256).

<sup>54</sup> Japan Association of Arms Industry [1983], p. 32.

<sup>55</sup> Japan Association of Arms Industry [1983], p. 15.

<sup>56</sup> Japan Association of Arms Industry [1983], p. 18.

cases in which production continued for several rounds, and the companies that received orders therefore asked to take good measures to continue production. In the fourth DBP period of the war against the dollar, oil shocks, and other challenges, there was a reduction in the amount of equipment ordered, and on behalf of the companies that received orders, the Procurement Implementation Headquarters was often asked to take measures to prevent such reductions.<sup>57</sup> As shown in Table 2, R&D was emphasized during the fourth DBP period, as indicated by the increase in expenditures for prototypes, but according to a survey conducted during the fourth DBP period by five industry organizations, including CODP and JAAI, the number of direct man-hours for weapons-related manufacturing and repair decreased to 75 in FY1976 on an index of 100 for FY1972, and the number of direct man-hours for missile and rocket fields in particular decreased to 55, and in the pyrotechnics field, 49, a significant decrease. JAAI was aware that the fourth DBP period “clearly fell behind in the second year due to the unforeseen circumstances of the oil crisis” and strongly urged that the Defense Agency’s Basic Defense Capability Concept reflect measures to formulate defense production and R&D capabilities.<sup>58</sup>

Domestic production of aircraft was also underway during this period. The F-4EJ fighter aircraft was produced as planned, but the PXL, the next-generation anti-submarine patrol aircraft, was “returned blank” at the National Defense Conference in October 1972, despite the fact that both industry and the Defense Agency had a policy of domestic production until 1971, and five years later it was officially decided to adopt Lockheed’s P-3C. The P-3C was adopted by the Defense Production Board in 1974. Although the Defense Production Board had requested domestic production in 1974 in such opinion pieces as “Proposal for PXL Development and Production (Memorandum)” and “Security and Equipment Acquisition Methods,” the P-3C ended up being imported. This process has pointed to technical problems and uncertainties that cannot be explained simply as a measure to reduce Japanese dollars in consideration of Japan–U.S. relations.<sup>59</sup>

### Summary and Future Issues

The beginning of the Cold War and the outbreak of the Korean War led to a major shift in U.S. occupation policy, moving Japan from demilitarization and restraining economic recovery to promotion of reconstruction and rebuilding of military power. Symbolically, the U.S. withdrew from the policy of designating munitions factories and industrial facilities for compensation and removal, and began to actively utilize the former military arsenals and other facilities by selling them to weapons producers. Then, the U.S.

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<sup>57</sup> At the National Defense Council and Cabinet meetings at the end of 1970, 31 tanks, 60 armored vehicles, and 70 self-propelled guns for the Ground Self-Defense Force, 17 naval vessels for the Maritime Self-Defense Force, and 42 fighter aircraft for the Air Self-Defense Force were excluded from the initial targets (“The Fourth Defense Force Development Plan” (4th Defense), [https://www.asagumo-news.com/hbdl/bouei/1\\_4jibou/4ji-bou.pdf](https://www.asagumo-news.com/hbdl/bouei/1_4jibou/4ji-bou.pdf)).

<sup>58</sup> In 1977, CODP published “*Analysis of the Current Status of Japan’s Defense Industry and Future Responses*”, a survey of 67 companies in the industry conducted by Japan Association of Arms Industry, CODP, Japan Aerospace Industries Association, Japan Shipbuilding Industry Association, and Japan Electronic Machinery Manufacturers Association during the fourth defense period, which served as one of the bases for the request (Japan Association of Arms Industry [1983], p. 23).

<sup>59</sup> Senga questioned the “blank slate” return at the National Defense Council, saying, “It seems as if it was decided by the voice of heaven. Tomiyama [1979] also questioned the selection process. Furthermore, NHK’s “Unsolved Cases” Reporting Team (2018) has approached the core of the matter through interviews with those involved at the time. Similar opaqueness is also pointed out in the selection of the F-104 (Kondo and Osanai [1978], pp. 261, 309).

recognized the restoration of Japanese sovereignty by concluding the Peace Treaty. The Japan–U.S. Security Treaty and the MSA Agreement allowed U.S. forces to be stationed in Japan and the U.S. has mandated an increase in self-defense capabilities in line with U.S. desires. The U.S. initially provided many weapons for the creation of the Japan Self-Defense Forces and the defense equipment buildup.

The U.S. government provided the loans free of charge, but to curb the outflow of dollars, it switched to paying for the loans, Foreign Military Sales and then to exporting them. The Japanese government, on the other hand, steadily enhanced its defense capability from the 1950s to the 1970s, the Primary DBP through the Quaternary DBP.

In response to this policy shift towards increased self-defense capabilities, Keidanren, the center of Japanese industry, responded to this policy shift by taking advantage of the special demand and the business opportunity of upgrading the SDF's defense capabilities to achieve economic recovery and growth through a tie-up with the United States.

Keidanren organized the CODP, which was led by the heavy industry sector closely related to weapons production. CODP actively lobbied GHQ, the U.S. military in Japan, and the Japanese government to provide the JSDF with free provision of arms, to utilize “wheat funds” in accordance with Section 550 of the U.S. MSA Agreement, and to pursue possible arms exports to Southeast Asia. CODP often emphasized “self-defense” and developed a request for the maintenance and expansion of “defense production as the base of self-defense”. Looking at the activities of CODP, as an industry group, it lobbied more actively directly to the U.S. military in Japan and GHQ until the Defense Agency as an administrative structure was better organized in terms of organization and personnel.

JAAI, which was organized by the United States Armed Forces, also provided military technical assistance to supply the U.S. military and served as a research and study organization that provided administrative support to the government. JAAI was also changing its character from a military industry development organization to an organization that represented the military industry's interests, while enhancing defense equipment and stabilizing the defense industry.

By the way, as already pointed out, Keidanren insists on the importance of the defense industry's technological leadership in the civilian demand production sector. As mentioned in Minoru Fujita's criticism of this argument, more careful empirical analysis will be necessary since the technological interdependence between military and civilian demand seems to have deepened since the 1990s, when development in the ICT aspect has become more prominent.

I also mentioned that with regard to arms exports, the Sato cabinet advocated the three export principles in 1967, and export controls were tightened under the Miki cabinet. When these issues were raised in the Diet, Keidanren and JAAI did not express a clear stance against them. This was due to the strength of the anti-Vietnam War movement and to public opinion for peace. This is probably reflected in the fact that in the 1960s and 1970s, the period covered in my paper, public support for the Japanese Constitution, which stipulated the non-preservation of war potential, greatly outweighed opinions calling for its revision.<sup>60</sup> For the defense industry, the fact that demand is limited to the domestic market means that sales channels are limited, which should be a major constraint on corporate management unless there is a very large domestic demand. As mentioned at the beginning of this paper, the subsequent process has moved in the direction of lifting the restrictions, and this point must be examined again.

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<sup>60</sup> See Miwa and Sakaiya [2020].

How was the Japan–U.S. relationship regarding the Japan Self-Defense Forces? They were established and DBPs were promoted from the 1950s to the 1970s. As Japan’s military force was rebuilt under the leadership of the U.S., much of the equipment was initially provided free of charge by the U.S., but as Japan’s military buildup plans progressed in line with the MSA agreement, the equipment was switched from grant aid to export, and “domestic production” was promoted, reflecting the interests of domestic industrial groups. However, even with the production of parts and equipment at domestic factories and the increasing rate of domestic production in the price structure, “domesticization” was far from being technologically independent, as fighter aircraft and other equipments with advanced technology were mainly produced under license and important parts were black boxed. In addition, the U.S. government’s consent is basically required for the selection of aircraft models, and Japan’s passive position in defense equipment is clear. The cabinet’s decision in the 2010s to allow the exercise of the right of collective self-defense, mentioned at the beginning of this paper, appears to be an extension of this policy, but further study is needed to verify this.

Furthermore, how did the domestic arms industry develop? During this period, leading companies, such as Mitsubishi Heavy Industries (three heavy industries merged in 1964), Kawasaki Aircraft (Kawasaki Heavy Industries after 1969), Fuji Heavy Industries (Subaru Corporation after 2017), ShinMaywa Industries, Mitsubishi Electric, Toshiba Corporation, Ishikawajima-Harima Heavy Industries, and Komatsu Manufacturing, grew as leaders in the military industry, producing aircraft, naval vessels, special vehicles, and missiles. It is also clear that these companies have steadily improved their aircraft manufacturing technologies, as seen in the completion of the YS-11, a medium-sized transport plane jointly produced by domestic companies, and the XT-2, a supersonic advanced training plane by Mitsubishi Heavy Industries, Ltd. Many companies switched from military production to civilian production after the Korean War and subsequent sharp decline in special procurement demand, but these leading companies have continued to produce weapons while expanding civilian production within their companies.<sup>61</sup> The study of the relationship between civilian and military production within their companies is a future issue.

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<sup>61</sup> Sawai [2018] mentions examples of continued weapons production at Osaka Metal Industries (renamed Daikin Industries in 1963) and Komatsu Ltd.

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