

# *Japan's Defence Industry and Arms Transfers During the Cold War: Between Independence and Alliance*

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The purpose of this paper is to discuss the development process of the Japanese defense industry during the Cold War in relation to the issue of arms transfers. After World War II, the U.S. promoted the lending of surplus weapons to Japan, and at the same time, it hoped for the revival of Japan's independent defense industry, albeit with restrictions. In Japanese domestic politics, a conflict emerged between the Shigeru Yoshida Cabinet's vision of light armaments and the rearmament plans of those in the defense industry. Thus, the issue of rearmament became an important political issue in Cold War Japan, and at the same time, also conflict over restrictions on the defense industry and its independence influenced the political situation. The conflicts and confrontations over the revival of the defense industry and demands for arms transfers that occurred during the Cold War have continued to have a strong influence on Japan-U.S. relations and the nature of Japan's national security policy to the present day. This paper analyzes the above issues in light of the controversy over the theory of self-defense and the Japan-U.S. alliance.

## 1. Introduction: Problem-Setting and Previous Studies

### **(1) Assignment of tasks**

The Korean War, which began on June 25, 1950, forced the United States to change its military strategy during the Cold War. The new strategy was to move away from the 'forward base strategy', which was based on deploying forces in areas close to the Soviet Union, to a new strategy of dispersing forces to surrounding areas at a certain distance from the point of force projection. It would reduce the deployment of forces in areas where conflicts were expected to erupt and, as an alternative, encourage the establishment of a defence community between Japan and South Korea in the Asian region. As a result, the U.S. would counter the Soviet threat, especially to Japan. Moreover, it would force Japan to rearm in accordance with the Mutual Security Act (MSA).

The U.S. lent Japan its surplus weapons after World War II in the hopes that Japan would become self-reliant in its defence, as well as continue and develop defence production through the MSA. It also made Japan's rearmament inevitable. At first, both the Supreme Commander Douglas MacArthur of the Supreme Headquarters of the Allied Powers (GHQ) and the Cabinet of Shigeru Yoshida were reluctant to rearm Japan. However, proposals

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from the private sector led by businessmen with high hopes for the defence industry were pioneering; public organisations, such as the National Security Agency, the Economic Council and the Ministry of Finance, also submitted proposals for rearmament. In the midst of these developments, there was a heated debate among political parties in Japan over the scale of rearmament and the nature of defence production.

The gap between Japan's intention to extract special economic demands through the MSA agreement and the U.S.' desire to strengthen Japan's self-defence capabilities became apparent. In other words, the Yoshida cabinet's attitude of struggling to respond to the mutually contradictory demands for self-reliance and alliance came to the fore.

This paper will first examine how Japan's defence production during the Cold War responded to the conflicts and contradictions over independence and alliances. Second, it will point out that the supposedly contradictory interrelationship between independence and alliances has been deeply inherent in the foundation of the Japanese defence industry and policy from the end of the Cold War to the present. Third, the reality of such conflicts and contradictions has not been fully recognised or overcome even today. Fourth, these conflicts and contradictions remain unrecognised and unresolved to this day, which is why the defence industry and policy have fallen into a semi-independent state, far from being self-reliant.

## (2) Previous studies

Due to paper length limitations, I would like to highlight only two papers. The first is Minoru Sawai's 'From Special Demand Production to Defense Production: The Case of Osaka Prefecture'.<sup>1</sup> In the postwar period, Japan's economy was more inclined towards special demand production (initially called 'separate demand') during the Korean War. However, after determining that it could not expect to expand military production due to the extraterritorial procurement of the U.S. forces under the MSA agreement, the economy did not overly lean towards the defence industry; instead, it focused its efforts on enhancing civilian production. Based on the common theory that the result was high economic growth, Sawai states that 'taking on weapons production in the late 1950s caused great social friction'.<sup>2</sup> He also underscores that while weapons production was considered taboo in society, the entrepreneurs who sought to produce weapons had a deep interest in and a certain ideology of national defence. The words and actions of these entrepreneurs suggest the existence of a certain ideology and a deep interest in national defence among those entrepreneurs who sought to produce weapons. Although it is undeniable that military demand, i.e. the defence industry, was declining in proportion to the development of civilian demand, we point out that there was strong support from MITI, the Defence Agency and the Keidanren Committee on Defence Production.<sup>3</sup>

Thus, Sawai does not give credence to the common belief that the Japanese economy as a whole will re-transform from military to civilian production and enter an era of full-fledged

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<sup>1</sup> Sawai [2018].

<sup>2</sup> Sawai [2018], p. 58.

<sup>3</sup> In this connection, Sawai states, 'Behind the decision not to let go of defense production was not only the judgment of management, which considers defense production as the basis of the nation, but also the Ministry of International Trade and Industry, which has jurisdiction over defense production companies and calls for cooperation in strengthening defense capabilities while preventing bleeding orders, the Defense Agency, which is the user of defense equipment, and the Keidanren Defense Production Committee, which has strong It is imagined that there was strong lobbying by the Ministry of International Trade and Industry, which has jurisdiction over defense production companies, the Defense Agency, which is the user of defense equipment, and the Keidanren Defense Production Committee' (Sawai [2018] p. 59).

rapid economic growth.<sup>4</sup> He emphasises that attention should be given to the fact that the defence industry will surely take root in the Japanese economy even in the midst of rapid economic growth. Several things cannot be seen from an understanding of the actual state of the economy on a quantitative level, and we agree with this point. The defence industry should be viewed not from a quantitative perspective but from a qualitative one, focusing on its potential and possibilities.

Next, Yoshio Asai's 'Special Demand in the 1950s s'<sup>5</sup> in the 'IV Japan-U.S. Economic Cooperation Concept' traces in detail the fact that under the name of 'Japan-U.S. Economic Cooperation', strategies were skilfully devised and implemented from around the outbreak of the Korean War to extract Japanese munitions production capacity for the benefit of the U.S. It also argues that there was a clear difference among the various forces in Japan in terms of their response to these strategies. Asai also postulates that there was a clear difference between the various forces in Japan over how to respond to this situation. Asai details the process by which the revival and utilisation of Japan's munitions industry led to prospects for the development of Japan's civilian munitions industry and Japan's role as a bulwark nation for the U.S. in both economic and military terms.

The above paper is in the category of economic history. Thus, it is essential to analyse the 'Japan-U.S. Economic Cooperation' and Japan's 'industrial mobilisation' at the economic level, as presented in the Asai paper, as well as at the military level, that is, to mention the extent to which the security environment surrounding Japan during the Cold War was affected by the U.S. military's actions. It has already become a clear historical fact that Japan's rearmament was forced in response to the U.S.' intentions. In the context of this historical fact, it is necessary to discuss the issue from political and military perspectives because it is no exaggeration to say that in Cold War-era Japan, the military determined the economy.

### **(3) Definitions of terms: 'self-defence' and 'independent defence'**

If self-defence is conditioned on the compatibility of unilateral defence intentions and capabilities, then it seriously lacks validity as a practical matter. This is because, from the standpoint of economic and military rationality, it does not seem to make much sense to fortify the nation with equipment of its own manufacture. Citing Kwon Tae-young's article 'Our Country's Self-Reliance Defence Efforts and the Direction of Advanced National Defence in the 21st Century',<sup>6</sup> Chung Kyung-aw distinguishes between 'self-reliance' defence, which excludes outside interference, and 'independence' defence, in which the nation does not depend on outside forces but rather on its own capabilities.<sup>7</sup> However, as military technology continues to evolve, it is now largely impossible for a single country to carry out either self-reliance or independent defence on its own. Therefore, it is highly doubtful how much meaning there is in this distinction.

In South Korea under the Park Chung-hee administration and Taiwan under the Chiang Kai-shek and Ching-kuo administrations, 'self-defence' was repeatedly emphasised in their policies, but only to the extent that they mentioned the rate of domestic production of frontline equipment. It is often possible to emphasise the independence and autonomy of a nation or administration by estimating its dependence on the U.S. at a low level. The terms 'independence' and 'originality' are nothing more than a kind of propaganda. From there,

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<sup>4</sup> Sawai [2018], p.41.

<sup>5</sup> Asai[2003a]

<sup>6</sup> Korean Association for International Politics [1997].

<sup>7</sup> See Zheng[2015],p.70.

the only forceful terminology is eclectic coinage, such as ‘semi-autonomy’, ‘semi-independence’ and ‘semi-dependence’, but even this terminology remains ambiguous. Japan’s security policy has been consistently dependent on the U.S. since the end of World War II, and this excessive dependence is now merely replaced by the terms ‘joint’ and ‘alliance’. I dare say it is dependence and subordination in the name of alliance.

Another distinction between the military and defence industries is the use of the term ‘munitions industry’ in this report, which refers to the prewar and postwar periods as the defence industry.

## 2. Dismantling the Munitions Industry and Military Spending

### **(1) Dismantling process of the military industrial industry**

After the defeat of Japan, GHQ issued a series of orders to dismantle and convert state-owned and private munitions factories. On 22 September 1945, an order was implemented banning the production of weapons and aircraft (GHQ Directive No. 1), as well as an order for former munitions companies to submit civilian munitions development plans (GHQ Directive No. 2). Furthermore, on 15 October of the same year, military institutions were abolished (General Staff Headquarters, the Army and Navy academies, and others). The dismantling of the military arsenals consisted mainly of a total of 100 plants (50 Army, 46 Navy and the Army and Navy Research Institute) and a total of 46 plants in the eight Army arsenals (Tokyo No. 1, Tokyo No. 2, Sagami, Nagoya, Osaka, Kokura, Incheon and South Manchuria), along with the fuel headquarters, transportation department, clothing depot, medical material depot, veterinary material depot, military stores and various research laboratories. Meanwhile, the Navy dismantled four arsenals. The Navy had four arsenals (Yokosuka, Kure, Sasebo, Maizuru), a machine shop, a gunpowder plant, ten air arsenals, six fuel plants (Yokkaichi, Tokuyama, Iwakuni, Yokohama and others), three technical ministries, two medical supply plants and a technical research institute.

The Yokosuka Arsenal was converted into a base facility for the U.S. Navy, and other facilities were developed as private shipyards. For example, Kure Arsenal became Harima Shipbuilding Kure Dockyard, Sasebo Arsenal became the Sasebo Shipbuilding Industry, Maizuru Arsenal became Iino Sangyo Maizuru Plant, and so on. In addition, aircraft manufacturing companies were banned from production and research altogether, and airframe factories were converted from military to civilian production plants for producing passenger cars, freight cars and train bodies. More than 600,000 units of machine tools were used for compensation, reducing the total number owned to 175,000 units; approximately 5 million tons of blast furnaces 3 million tons of electric furnaces, 6 million tons of flat furnaces and 6 million tons of rolling mills were removed.<sup>8</sup>

By August 1948, 16,736 pieces of machine tools from the Army and Navy arsenals in 17 locations throughout Japan had been transferred as compensation in kind. In parallel, all weapons and production materials under the control of the Army were transferred to the Allied Forces. The buildings and various production facilities of the Army arsenal, valued at 1.3 billion yen as fixed assets, were turned over to the Allied Forces. Navy vessels, weapons and production facilities were likewise destroyed. A portion of these will be used for compensation, and a portion will be converted for the peace industry.

The above are examples of the dismantling and destruction of state-run military arsenals,

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<sup>8</sup> Koyama [1972], pp. 334–335. See also, e.g., Toyo Keizai Shinposha [1950] Cohen [1950].

but the civilian munitions facilities that had greatly supported the munitions industry were uprooted in November 1946 with the Final Report on Compensation (commonly known as the Pauley Plan). However, in March 1947, the year after the Pauley Proposal was presented, the Truman Doctrine was announced in the midst of the emerging Cold War between the U.S. and the Soviet Union. This led to a revision of Japan's prewar policy of dismantling its munitions industry.

During this period, the Tetsu Katayama Cabinet enacted the 'Law for Eliminating Excessive Concentration of Economic Power' (Law No. 207) on 18 December 1947, which resulted in the June 1949 reorganisation of Mitsubishi Heavy Industries, the top company in the prewar Japanese munitions industry, into East Japan Heavy Industries (later Mitsubishi Nippon Heavy Industries), Central Japan Heavy Industries (later New Mitsubishi Heavy Industries), West Japan Heavy Industries (later Mitsubishi Shipbuilding and then New Mitsubishi Heavy Industries) and West Japan Heavy Industries (later Mitsubishi Shipbuilding). The dismantling of the munitions industry was part of the GHQ-led policy of 'democratisation' of Japan. However, the brakes were applied to this move after the Truman Doctrine.

When the Korean War begins, Japan will assume the role of a U.S. military supply base. This was the start of the postwar defence industry. The postwar defence industry was to be booming, covering a broad range of industries, ranging from those that could be produced with relatively low-cost technology, such as jute bags for sandbags, military uniforms, cement, barbed wire and fuel tanks, to aircraft repair, bomb manufacture and tank and armoured vehicle repair. The U.S. government's extraterritorial procurement, or the so-called 'special procurement', amounted to \$10 billion (360 billion yen) over a three-year period when the government budget was around 1 trillion yen. If domestic consumption by U.S. soldiers in Japan (so-called 'indirect special procurement') is added, the amount is estimated to have reached \$30 billion (about 1 trillion yen).

## **(2) Commencement of arms lending and MSA agreements**

Japan, which was prohibited from manufacturing, importing or exporting weapons, began de facto arms imports in the form of U.S. military assistance in the form of weapons to be deployed in the Police Reserve Corps that was established. On 8 July 1950, GHQ Supreme Commander Douglas MacArthur issued a letter ordering the creation of a 75,000-member National Police Reserve Corps and the increase of the Japan Coast Guard from 8,000 personnel.

Following the Police Reserve Corps, Patrol Frigates (PFs) and Landing Support Ships (LSSLs) were provided free of charge to the Coast Guard, which was established in 1952, followed by the signing of the 'Japan-U.S. Vessel Lending Agreement' in November 1952 and the 'Japan-U.S. Naval Vessel Lending Agreement' in May 1954, respectively, in which the former provided 18 PFs and 50 LSSLs and the latter provided 14 destroyers and other large vessels. On 28 April 1952, the former Japan-U.S. Security Treaty came into effect, creating the so-called 'path of arms' between the two countries.

Specifically, the MSA law was applied to Japan (and North Atlantic Treaty Organization countries). According to the 'Vandenberg Resolution' (U.S. Senate, June 1948), 'The United States will participate in regional and collective defence agreements affecting its national security'. Such agreements shall be based on the principle of 'continuous and effective self-help and mutual assistance'. The purpose of the MSA Act was to 'strengthen the mutual security and individual and collective self-defence of the free world' and

‘develop the resources of friendly nations for the national interests of the United States, for the security and independence of its friends’. It confirmed Japan’s determination to fulfil its military obligations under the Japan-U.S. Security Treaty, while the U.S. side confirmed in the text that Japan would ‘contribute to the development of its own defence capabilities and the development and maintenance of the defence capabilities of the free world’ (Article 8 of the MSA Act).<sup>9</sup> Furthermore, following the start of the grant aid, the Defence Secrets Protection Law was enacted (1954), which established penalties of up to 10 years in prison for those who detected, collected or leaked secrets.

Thus, ‘financial support for Japan’s defence industry was entrusted to the U.S. under the MSA agreement concluded in 1954. Between 1954 and 1967, Japan received military assistance amounting to 576 billion yen. This amount accounted for 27% of total equipment purchases during the same period, and this value reached 58% by 1957 alone’.<sup>10</sup> As pointed out, the MSA agreement at least allowed the Japanese defence industry during the Cold War to develop based on the will and requests of the U.S.

### **(3) The inside story of the U.S.’ economic and military assistance to Japan**

The U.S. envisioned an increase in economic and military aid to prevent the Korean War and the subsequent penetration of communism into Southeast Asia. According to Yoshio Asai, the gist of the ‘Japan-U.S. Economic Cooperation’ was, first, to mobilise Japan’s industrial production capacity to supplement the U.S. military mobilisation system; second, to help Japan gain access to the Southeast Asian market; and third, to support Japan’s economic independence by indirectly procuring reconstruction aid supplies for Korea from Japan. The three points are summarised in the following article.<sup>11</sup> In other words, the U.S. was using the special procurement from Korea as leverage to encourage Japan’s economic recovery and self-reliance while simultaneously planning industrial mobilisation and the revitalisation of the defence industry.

This U.S. plan diverged from the stance of Prime Minister Shigeru Yoshida, who was also a light-armaments activist. However, Yoshida, who was also a realist, judged that, apart from the ostensible theory of light armaments, accommodating the U.S. intentions would strengthen Japan-U.S. relations, counter communism and ensure economic expansion into Southeast Asia.

The ‘Data on U.S.-Japan Economic Cooperation’ dated 3 April 1951 and prepared by the Economic Stability Headquarters, which was the general manager of economic policy in the Japanese Government, stated, ‘In order to maintain a rational and smooth circulation of the national economy, it is necessary to coordinate domestic and foreign demand, and the following measures should be taken. (1) The Government of Japan should be fully informed of the details of the items, quantity, duration, etc., of the goods expected from Japan. (2) Establish a reasonable mechanism and method of ordering and receiving orders for expected goods from Japan’.<sup>12</sup>

In short, the Japanese government was strongly aware that the Korean War had created special procurement demand for Japan, and that actively responding to the U.S.’ requests would be an effective means of economic recovery. In the end, the U.S. agreed to Dulles’

<sup>9</sup> Appendix A of the MSA Act states, ‘The development of the defense capabilities of Japan should be significantly facilitated if the United States Government would consider assisting in financing the various industries of defense production in Japan’.

<sup>10</sup> Parler[2010]p.118.

<sup>11</sup> Asai[2003b],p.123.

<sup>12</sup> Material on U.S.-Japan Economic Cooperation (Economic Stability Division)” prepared by General Affairs Division, Ministry of Finance (Center for Asian Historical Records, Rec. A19110145600)

demands on Japan.

As Dulles stated on 18 January of the same year, the purpose of his visit to Japan was to incorporate Japan into the U.S. wartime mobilisation system and expect Japan's defence production capabilities to play a complementary role. He said, 'In order to have Japan actively cooperate with the free world, the United States must commit itself militarily and economically to Japan'.<sup>13</sup> In particular, after the Korean War, Japan's defence production capacity and munitions were given increasingly greater weight in military assistance to Southeast Asia. However, unlike the Yoshida administration and the Japanese business community, which were active in strengthening Japan-U.S. relations, the Ministry of Finance was not necessarily positive about the unconditional Japan-U.S. Economic Cooperation at a stage when sufficient prospects for economic recovery were not yet available.<sup>14</sup>

#### **(4) Emergence and consequences of the rearmament proposal**

Even before the outbreak of the Korean War, rearmament proposals were initially presented on a civilian basis. In March 1953, in addition to the 'Tentative Proposal on Defence Force Development' by the Keidanren and the Defence Production Committee of the Economic Cooperation Roundtable and the 'Economic Study of Japanese Rearmament' by the National Economic Research Association, three concrete rearmament proposals were proposed: the Security Agency proposal, the Economic Council proposal and the Finance Ministry proposal. The three proposals were suggested as concrete rearmament proposals.<sup>15</sup> The reason for this was the need to set a more reasonable and realistic figure that took into account the size of Japan's economic power and military aid provided by the MSA.

The problem was the economic strength to support the set figures. In other words, no matter which rearmament plan was adopted, the question was how to secure financial resources and how much of a burden it would be on the Japanese economy, which was still in the process of reconstruction. It has been pointed out that the above three proposals 'are said to have been prepared with the aim of covering the annual defence expenditures within the framework of the natural increase in national income each year, with the shortfall expected to be covered by U.S. assistance, so as not to devalue the national lifestyle'.<sup>16</sup>

In particular, in all three proposals, the amount of Japanese defence spending and MSA military assistance funds were roughly equal, and Japan's rearmament expenditures were roughly split 50-50 between Japan and the U.S. At the same time, the total amount of military spending as a percentage of national income was kept in the range of 2% to a maximum of 5.5% over the five-year period from 1954 to 1958.<sup>17</sup>

Even if U.S. military assistance is provided for the time being under the MAS agreement,

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<sup>13</sup> Igarashi [1995], p. 229.

<sup>14</sup> See, for example, 'Documents on Japan's Economic Cooperation', prepared by the General Affairs Division, Minister's Secretariat of Finance (Economic Stability Headquarters). The same document is in the collection of the Center for Contemporary Asian History (Ref. A1911014550).

<sup>15</sup> There are numerous previous studies on the rearmament issue, but I will cite Masuda [1999] here.

<sup>16</sup> Economic Affairs Department, Financial Division, 'The Economic Burden of Japan's Rearmament', in Reference No. 36, February 1954, p. 34, edited by the Research and Legislative Examination Bureau, National Diet Library.

<sup>17</sup> The three proposed military budgets in 1954 were as follows: the NISA proposal for 118 billion yen for Japanese military spending and 108 billion yen for U.S. MSA aid, for a total of 226 billion yen; the Economic Council proposal for the same, 1038 yen and 80.1 billion yen, for a total of 183.7 billion yen; and the Daisho proposal, 76.4 billion yen and 54 billion yen, for a total of 130.4 billion yen (see *ibid.*, Reference No. 36, Table 2 □, p. 32).

once Japan decides to rearm, capital investment in response to the development of military technology will become indispensable, and growth in defence expenditures will be inevitable. This would inevitably place a burden on the Japanese economy, which was in the process of reconstruction soon after the war. Therefore, it was predicted that Japan would become increasingly dependent on the U.S. to equip its police reserve forces, security forces and even the Self-Defence Forces. Indeed, 'Japan's defence forces would become the "metabolism" of U.S. weapons, and in that sense, a loss of autonomy' (bypass marks are in quotations). The judgment of the Finance Division of the Ministry of Economy<sup>18</sup> was right on the mark.

### **(5) Conflict over the MSA agreement**

The MSA is shifting from support for Europe to support for Asian countries from the viewpoint of military strategy to check and deter the Soviet Union and China. In Japan, there will be a fierce debate between those who want to take advantage of the U.S. strategy of focusing on Asia and find ways to increase defence production and defence capabilities and those who believe that Japan should choose the path of economic development by enhancing trade relations, especially with China, while improving relations with the Soviet Union and China.<sup>19</sup>

The fierce debate between Shigeru Yoshida's Cabinet and the Socialist Party over the interpretation of the MSA was a complex issue of security in Japan during the Cold War. As already noted, Prime Minister Yoshida, while accepting the intentions and requests of the U.S., tried to keep the strengthening of defence forces to a minimum and prioritise economic development as much as possible. However, the policy debate was muddled by the expectations of the defence industry, which was eager to use the MSA agreement as leverage to get Japan's defence industry off the ground.

Regarding the MSA agreement, Government Commissioner Ueki Koukoro (Parliamentary Vice Minister of Finance) had a positive outlook: 'I think the first point that MSA assistance will have a positive impact on the Japanese economy is that it will reduce the burden of national expenditures required for the implementation of Japan's defence programmes. Secondly, the cooperation in economic measures will provide us with a gift of \$10 million, which is necessary to contribute to the enhancement of our country's industrial and other economic strengths'.<sup>20</sup>

Ueki's remarks summed up the Yoshida Cabinet's view of the government's insistence that the MSA was a highly beneficial agreement for Japan, including the reduction of Japan's defence burden through the assistance of the U.S. and other countries, the enhancement to the Japanese economy, the yen purchase of wheat imports and the convenience in the introduction of foreign capital.

However, the aid by the MSA consisted of military assistance and economic and technical assistance (mutual defence financing, defence support assistance, economic and technical assistance, technical assistance and others). 'The U.S. fiscal year 1954 budget was roughly 70% military assistance, defence support assistance (economic assistance to the military

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<sup>18</sup> Economic Affairs Department, Financial Division, 'The Economic Burden of Japan's Rearmament', in Reference No. 36, February 1954, p. 34, edited by the Research and Legislative Examination Bureau, National Diet Library.

<sup>19</sup> For more information on the actual state of arms expansion plans in Europe and the issue of MSA aid, see Masao Fujii's 'Western European Military Expansion Plans and U.S. MSA Aid' (Reference No. 31, 1953) and Michizo Yamakoshi's 'West German Rearmament and Financial, Economic, and Human Resources' (Reference No. 53, June 1955)

<sup>20</sup> Official Gazette Extra No. 19, Proceedings of the House of Councillors, No. 21, March 19, 1954, p. 299.

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industry), technical assistance and others at 10%'.<sup>21</sup> As noted, it is fair to say that it was a military aid itself.<sup>22</sup>

Opposition parties led by the Socialist Party of Japan increasingly criticised the Yoshida cabinet on the grounds that the MSA agreement would lock in a subordinate relationship with the U.S. and make rearmament inevitable and that the defence industry could grow alongside it. In particular, the General Council of Trade Unions of Japan (formed in 1950), a labour union supporting the Socialist Party, launched a campaign in various regions against the MSA agreement, claiming that it would spur the militarisation of Japan. Prime Minister Shigeru Yoshida responded to these movements by stating, 'Regarding the MSA issue, we did not agree to the MSA because of pressure from the United States but as a result of discussions between the United States, which requested and hoped for the MSA, and Japan, which also requested and hoped for the MSA. It was concluded, and it was not concluded under the command and order of the United States government. I believe that the Minister of Foreign Affairs has already explained this to you'.<sup>23</sup>

The gap in perception between the U.S. and Japan over the MSA agreement was immense. The U.S. expected Japan to take the initiative in this agreement to expand its defence capabilities and play a pivotal role in the U.S. military strategy against China and the Soviet Union in East Asia. Therefore, in August 1953, when it became evident that the Yoshida Cabinet was not serious about expanding its defence capabilities, U.S. Secretary Dulles and other high-ranking officials were dispatched to Japan to press for the expansion of Japan's defence capabilities. In fact, Secretary Dulles and others 'expressed dissatisfaction with Japan's defence efforts, and as the MSA negotiations progressed, it became increasingly clear that the real heart of the negotiations lay in Japan's defence buildup plan, which should be commensurate with the U.S. military assistance'.<sup>24</sup>

In light of this situation, it was Japanese Socialist Party member Yoshihachiro Kimura who most sharply attacked the explanations of Prime Minister Yoshida and Yoshida's cabinet ministers. Mr. Kimura argued, 'As for the self-reliance of the Japanese economy, it cannot become truly self-reliant if it continues to depend on special procurement'.<sup>25</sup> Kimura insisted that 'Japan's economy cannot truly become self-reliant if it continues to depend on special procurement'. In particular, Kimura recognised that the MSA agreement would lead to an acceptance of Japan's dependency on the U.S. and that the ongoing rearmament would lead to excessive government investment in the defence industry, which would put a brake on Japan's economic independence.

Similarly, in connection with the MSA agreement, Sukeharu Soma of the Japan Socialist Party asked, 'What kind of future subsidies are intended for heavy weapons, aircraft, naval vessels and other such items, not just orders as in the past, to promote these industries? The government itself intends to promote these industries by subsidising heavy weapons, aircraft, naval vessels and others in the future'.<sup>26</sup> In response to this question, Minister of Finance Ogasawara Sankuro responded, 'The government itself intends to promote these industries. For example, even if we were to direct the defence industry, since we have the so-called Security Forces in Japan, of course, we would not be able to receive or borrow all

<sup>21</sup> Ishii [2003], p. 179.

<sup>22</sup> In fact, in terms of the economic history of Japan during the period in question, Nakamura [1982] states that 'this was the period in Japan's postwar history of more than 30 years in which the country was most inclined towards rearmament and military production'.

<sup>23</sup> The 19th Budget Committee Minutes of the House of Councillors, No. 26, April 22, 1954, p. 4.

<sup>24</sup> *Nihon no Bouei* [Defense of Japan], Asagumo Shinbunsha, 1958, p. 39.

<sup>25</sup> The 19th Budget Committee Minutes of the House of Councillors, No. 26, April 22, 1954, p. 11.

<sup>26</sup> *Ibid.*, No. 27, April 23, 1954, p. 9.

of these weapons and other items that we use from them. Even if we were to build what we have now, it is likely that there would be a considerable amount of money needed for security forces' other items'.<sup>27</sup>

While pointing out the possibility that the economic independence stipulated in the MSA agreement will eventually result in overinvestment in the defence industry, he says that this is to be limited to the enhancement of the defence industry, which secures equipment for the security forces, to avoid pressure on other civilian demand industries. This is where the contradiction between the two policies of economic independence and enhancement of the defence industry becomes a point of contention between Yoshida's cabinet and the opposition parties in relation to the MSA agreement. Even though the government steered the economy away from dependence on special procurement for the purpose of economic independence, as long as the MSA agreement existed, the quality of the independent economy and the direction of the defence industry would ultimately have to proceed under the will of the U.S. In short, the opposition parties are unanimous in their view that there is little possibility of resulting in an independent economy. From this, it is clear that both the Yoshida cabinet and the opposition parties were fundamentally aware of the structural difficulty of reconciling the U.S.' military assistance with Japan's self-reliant economy.

The issue of weapon exportation was proposed as a way to resolve this contradiction. From the opposition side, Kimura Yoshihachiro makes the following noteworthy statement on this point: 'In relation to Japan's defence production in the future, you said that you would foster the production of weapons to be supplied to Japan's security forces, but in the current situation in Japan, when fostering weapons production, it is not possible for a business unit to meet the demand of the Japanese security forces alone. The company as a unit cannot be established unless it is based on the premise of the so-called extraterritorial loans and exports of weapons. In this way, an economy dependent on special procurement cannot be allowed to continue. Therefore, the production of weapons is immediately dependent on special procurement demand. This is inconsistent with the independence of the Japanese economy' (quoted in parentheses).<sup>28</sup>

For economic independence and the expansion of the defence industry to proceed without contradiction, he was proposing an arms export method that would seek orders for weapons production from overseas, outside of the MSA), as a precondition for the defence industry to develop on its own. Councillor Kimura pointed out that the domestic market is not sufficient for the defence industry to be established as a sustainable industry, and the only way is to seek sales channels overseas. This is not an active endorsement of arms exports by Mr. Kimura but rather a judgment that the only way to achieve both economic independence and a defence industry is through arms exports.

The reality of the orientation towards arms exports to ensure the sustainability of the defence industry can be seen in similar examples in the prewar Japanese munitions industry.<sup>29</sup> It is inevitable for the expansion of any industry, not only the munitions industry, to seek markets and sales channels not only domestically but also abroad. Similar issues were actively discussed in the Diet during the postwar reconstruction of the Japanese defence industry.

Furthermore, Mr. Kimura disagreed with the government's response to Prime Minister Yoshida and Mr. Kiichi Aichi and went on to make the following statement: 'If we were to finance the arms industry, as the Keidanren has clearly stated, it would be difficult to

<sup>27</sup> Ibid.

<sup>28</sup> The 19th Budget Committee Minutes of the House of Councillors, No. 28, April 24, 1954, p. 7.

<sup>29</sup> See KOKETSU [2018] and KOKETSU [2019] for such prewar examples.

develop such an arms industry in Japan because the demand from the Japanese Self-Defence Forces alone is too large for an industrial unit. In the end, the larger the economic unit, the more unprofitable it will be, and so the export of weapons to Taiwan, Korea and other areas in Southeast Asia will be a prerequisite'.<sup>30</sup> In the end, it will be based on the export of weapons to Taiwan, Korea and other Southeast Asian countries.

One of the reasons given by the opposition party members, including Mr. Kimura, for their criticism of the government was that the defence industry is positioned as an obstacle to economic independence and that the only way to ensure the sustainability of the defence industry is to seek overseas sales channels for the defence industry. This would lead to Japan's participation in the Pacific Alliance Organization (PACO), as Senator Kimura stated, which would undermine the pacifist goals of postwar Japan and force Japan to participate in the U.S.-centred collective self-defence system.

Around the time of the creation of the Self-Defence Forces across the Security Forces, there was suddenly a lively debate, mainly in the Diet, over the state of Japan's defence industry. This debate highlighted that Japan's policy of rearmament through the creation of the Self-Defence Forces was determined through its approach to the MSA agreement, which guarantees U.S. military support. At the same time, the expansion of Japan's defence industry was discussed over the equipment of the Self-Defence Forces.

To ensure the sustainability of the defence industry, there is a prevailing view that entry into the U.S.-centred collective self-defence system is inevitable while also making the expansion of the defence industry conditional on arms exports, in addition to dependence on military assistance from the U.S. The Yoshida cabinet, which seeks the independent development of Japan's economy through the concept of light armaments, scrambles to promote a policy that avoids domestic and international criticism of Japan's military superpower status by placing a certain degree of restraint on the defence industry.

### 3. Conflicts Between the Theory of Self-Defence and the Theory of the Japan-U.S. Alliance: The Ambiguous Choice Between Independence and Subordination

#### **(1) Inauguration and activities of the Defence Production Committee**

In addition to the Diet debates, we would like to review the stance of the defence industry, led by the Defence Production Board, towards new policy developments, such as rearmament, the defence industry and arms exports. This review will confirm the reality of the Japanese government's ambiguous choice between the theory of independent defence, which emerged in the process of Japan's rearmament, and the theory of alliance, which is essentially dependent and subordinate to the U.S.<sup>31</sup>

The Japan-U.S. Economic Partnership Roundtable, which had been established on 13 August 1952 to facilitate U.S.-Japan economic relations, was divided into three committees: the General Policy Committee, the Asian Reconstruction and Development Committee and the Defence Production Committee, which, for the time being, would focus

<sup>30</sup> 30) The 19th Budget Committee Meeting of the House of Councillors, No. 26, April 22, 1934, p. 11.

<sup>31</sup> John Palmer, in his article 'The Future of Japan's Defense Industry' points out four unique characteristics of the Japanese defense industry: 'First, the ambiguity of the public's attitude toward defense; second, the attitude of maximising domestic production (inclination toward domestic production); third, the ban on exports; and finally, the principle of limiting defense spending to 1% of GDP. The third is a ban on exports, and the last is the principle of limiting defense spending to 1% of GDP, a principle with unclear grounds' (Palmer [2020], p. 116).

on the activities of the Defence Production Committee while receiving economic and military support from the U.S.<sup>32</sup>

The Defence Production Committee began its activities in the order of preparation for arms production activities centring on special procurement from the U.S. military, the Japanese business community's response to the issue of concluding the MSA agreement and the establishment of a defence production stance in connection with the policy of equipment expansion for the Self-Defence Forces. At the time of its establishment, the 'Urgent Request Opinions on the Utilisation of National Munitions Industry and Other Facilities' (28 October 1952), the 'Request Opinions on the Service Life of Aircraft and Weapons Manufacturing Equipment' (27 February; 5 March; 27 March 1952) and the 'Request Opinions on Securing Working Capital for Special Weapons' (6 October 1953) were successively published.

Earlier, Keidanren had prepared a resolution for its 8th General Meeting entitled 'Our Preparedness for Rejoining the International Community'. The resolution called for Japan-U.S. economic partnership and integration, the U.S.' utilisation of Japan's industrial strength for the security of Far East Asia and U.S.' understanding of Japan's efforts to achieve early economic independence.<sup>33</sup>

How did the U.S. position the MSA agreement in the first place? The following is a quote from U.S. Secretary of State Dulles, who played an important role in the agreement made on 6 May 1953 before the U.S. House of Representatives Committee on Foreign Affairs.

'Japan's future is closely tied to the future of the United States. Japan is a reliable ally, but its economic situation is extremely unstable. Japan wants to develop trade with Southeast Asia, the breadbasket of Asia, and needs Southeast Asian oil, iron ore and other raw materials. Therefore, if Southeast Asia were to fall under communist rule, Japan's future would be extremely precarious'<sup>34</sup>.

In short, the MSA was positioned as part of the U.S. anti-communist bulwark-building effort by providing economic and military support to Japan to stop the spread of communism into Southeast Asia. This is nothing new; however, the Yoshida administration was eager to interpret the MSA as a means of extracting economic aid from Japan. Therefore, it did not show any sympathy for the U.S.' military strategy.

Due in part to this attitude of Yoshida's cabinet, the Defence Production Committee positively evaluated the MSA. The committee also developed a variety of activities to extract funds for defence production from the MSA. As a typical example, the Defence Production Committee drafted a 'Statement of Opinion on the Acceptance of MSA Assistance' (5th Defence Production Committee Meeting). Thereafter, the 'General Request Opinion on Acceptance of MSA (Draft) 28, 7, 6 Keidanren Economic Cooperation Roundtable Meeting', dated 6 July 1953, was prepared under the name of the Keidanren Cooperation Roundtable Meeting. A portion of the text there is quoted below.

'We believe that for Japan, as a member of the free world, to truly prepare itself for the future, it is necessary to take measures to increase its self-defence capabilities on its own initiative, within the limits of political and economic conditions, and consider contributing fully to the strengthening of the defence capabilities of the free world through its industrial power. If the application of MSA assistance is based on Japan's current situation and can

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<sup>32</sup> Committee on Defense Production [1964], p. 7.

<sup>33</sup> *Ibid.*, p. 19.

<sup>34</sup> Planning Division 2, Planning Department, Economic Affairs Council, 'General economy, General Economy, 1953-1954 (7)' (in the collection of the Center for Contemporary Asian Materials, Ref. A18110493200 '1. U.S. Views on MSA Aid to Japan', Image p. 286).

contribute to the realisation and promotion of the right basic issues through such assistance, we believe that Japan should not hesitate to accept it. If the application of MSA assistance is based on Japan's current situation, and if such assistance can contribute to the realisation and promotion of the basic issues mentioned above, we believe that we should not hesitate to accept it at the earliest opportunity'.<sup>35</sup> While the gap between the government and opposition over the interpretation of the MSA remained unresolved, the Defence Production Board's position would eventually lead to an eclectic discussion of independence and dependence on the U.S. Independence and dependence were to be marked by the terms 'coexistence' and 'alliance' as Japan-U.S. relations deepened.

## **(2) Keidanren Defence Production Committee's arms export theory and defence force development proposal**

The Defence Production Board is strongly oriented towards arms exports, with a view towards Southeast Asia. During this period, a draft plan for defence force development was submitted in a manner that embodied the intentions of the business community. In particular, the 'One Proposal on Defence Force Improvement' (hereinafter referred to as the Keidanren Proposal) submitted by the Defence Production Board was numerical proof that the business community of the time viewed rearmament and the defence industry as two sides of the same coin.

The Keidanren's proposal for the defence force after the maintenance plan from 1953 to 1958 included 15 divisions on land (300,000 personnel), 292,000 tons at sea (70,000 personnel) and 3,750 aircraft (130,000 personnel).<sup>36</sup> Of the total defence expenditure of 2.8943 trillion yen over the six-year period, 1.6252 trillion yen was paid by Japan and 1.2691 trillion yen by the US. On the other hand, the 'Economic Study of Japanese Rearmament', prepared by the National Economic Research Institute, set the defence force after the same six-year plan at seven land divisions (175,000 personnel), 220,000 tons at sea (35,000,000 personnel) and 1,200 aircraft (28,000 personnel), with total defence expenditures of 2.2653 trillion yen (2.5223 trillion yen required, defence contributions of 213 billion yen), defence spending limit of 1.4059 trillion yen and a shortfall equal to the expected U.S. aid of 858.4 billion yen.<sup>37</sup>

Other rearmament plans, such as the NISA, the Keihin and the Daizo plans, have been submitted at this point; however, Japan's rearmament and defence force development plans will be built based on the above two plans. While it is true that there are differences in the size of the Army and Navy between the two plans, there is no significant difference in the total cost over the six years. The problem is that the two plans relied on military assistance from the U.S. for about half of the total cost. This was because the U.S. expectations for Japan's defence capability and the existence of the MSA agreement were decisive reasons. At the same time, the expectations for the expansion of the defence industry, led by the Japanese Defence Production Board, was positioned as an extremely important industry in the process of Japan's economic recovery.

In this sense, the country's orientation towards economic self-sufficiency led to increased expectations for U.S. military spending support. In other words, economic independence and military support emerged as two sides of the same coin. Self-reliance and subordination

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<sup>35</sup> Ibid, image pp. 299–300.

<sup>36</sup> Economic Affairs Department, Financial Division, 'The Economic Burden of Rearmament in Our Country', Reference No. 36, February 1954, p. 29, edited by the Research and Legislative Review Bureau of the Library of Congress.

<sup>37</sup> Ibid.

became one set of factors, and rearmament was initiated, followed by the development of the defence force improvement plan. Although the discomfort between independence and subordination manifested itself in the form of various protests, the military support by the U.S. must have been linked to the development of the U.S. military strategy for East Asia. At the same time, the Japanese business community actively tried to promote the path to economic independence by inviting military support.<sup>38</sup>

### **(3) Defence industry putting pressure on the national economy**

While expectations for the defence industry were rising, there were also concerns about the opposing pressures on national life. Among them, the National Security Agency's proposal estimated that the ratio of national income to GDP would rise to 3.9% in 1954, 4.2% in 1955, 4.8% in 1956, 5.1% in 1957 and 5.5% in 1958. This was higher than the Keikin proposal, which had corresponding figures of 3.1%, 3.7%, 4.1%, 4.1%, 4.1% and 4.1%, and the Daisho proposal, which had 2.2%, 2.4%, 2.8%, 2.1% and 3.6%.<sup>39</sup>

As it became clear that the proposed NISA, which would put pressure on the national economy, could undermine Japan's greatest postwar challenge of economic independence, the NISA proposal of 283,000 personnel in total for land, sea and air security forces was not acceptable to the Yoshida Cabinet, which had a vision of light armaments. In this respect, the Defence Production Board's desire to expand the defence industry and the independence of the Japanese economy through the realisation of the light armaments concept became the basic stance of the Yoshida cabinet. However, the Yoshida Cabinet did not hold a stable seat in the Diet. Therefore, it was faced with the difficult task of accepting the views of the Defence Production Board while striving for economic independence at the same time. From this point on, Yoshida's cabinet emphasised the MSA agreement as economic assistance from the U.S. more than it actually was, thus avoiding criticism from the public and opposition forces.

This policy of contradicting the two principles of economic self-reliance and acceptance of military assistance became the basic principle of Japanese conservative politics and the conservative system after the Yoshida administration. This became the reason for the ambiguity of Japan's defence policy.

Criticisms of the limits of economic self-reliance and the expansion of the defence industry resulting from the MSA agreement have been active in the discourse. For example, in an article titled 'MSA Aid Demands a Life of Impoverishment', Seiji Usami, a professor at Hosei University, wrote, 'The MSA is a military aid, unlike the Keidanren and the government, which emphasised the economic aspect of the MSA and propagandised and frightened the public by saying that the MSA was dollar income to replace special demand and that rejecting it would destroy the Japanese economy. Unlike the Keidanren and the government, which have been promoting and trying to scare the public into believing that the MSA is a single-minded military aid package, it has become clear in the course of the negotiations that the MSA is a single-minded military aid package. In other

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<sup>38</sup> Incidentally, other than the above two proposals, the total defense cost of the NISA proposal (1954–1953) was 1.496 trillion yen (956 billion yen for Japanese military spending and 540 billion yen for U.S. MSA assistance). The total defense cost of the Keishin proposal was 1.2162 trillion yen (809 billion yen for the Japanese portion and 407.2 billion yen for the projected U.S. MSA assistance). The total defense cost of the Daisho proposal was 897 billion yen (627 billion yen for Japanese military spending and 270 billion yen for U.S. MSA assistance). (Economic Affairs Department, Finance Division, 'The Economic Burden of Wagakuni Rearmament', National Diet Library, Research and Legislative Review Bureau, Reference, No. 36, February 1954, p. 32).

<sup>39</sup> Ibid.

## *Japan's Defence Industry and Arms Transfers During the Cold War*

words, the MSA is an assistance that the U.S. will send weapons and military advisors to Japan if it strengthens its defence capability (military equipment)' .<sup>40</sup>

Similar to Usami's view, Inihachiro Kimura, who criticised the MSA agreement as a military aid in the Diet, wrote an article entitled, 'The Transformation of Japan through the Progress of Defence Production' in the 'Defence Production' Special Issue of the magazine *Chuokoron*. He pointed out that Japan's 'defence production' is a part of the U.S.' strategy against the Soviet Union, based on the name of collective security through cooperation with the United Nations and the Japan-U.S. Security Treaty, and includes (a) the provision of military supplies to the U.S. Far Eastern Command and the regular repair of its weapons, (b) Japan's own rearmament and (c) the return of Asian countries to the U.S. Japan was assigned the role of the so-called 'arsenal of Asia', supplying the weapons necessary to mobilise the Asian nations for the U.S. policy of turning the tide against the Soviet Union; this role was necessarily subordinate to the U.S. operations against the Soviet Union.<sup>41</sup>

The MSA agreement spurred rearmament and the munitions industry and, at the same time, clearly pointed out the possibility of Japan being incorporated into the U.S. military strategy towards the Soviet Union. The Korean War had already demonstrated that Japan had become the 'arsenal of the U.S.', and after the Korean War, Japan was a shoo-in as an arsenal to support the U.S.' strategy against the Soviet Union.

The Japanese industry, which had quickly sensed the intentions of the U.S., took an even stronger interest in munitions production. In particular, Kiyoshi Goko of Mitsubishi and Ichiro Ishikawa of Showa Denko took the lead in deciding that the munitions industry would act in unison. The Special Supplies Trading Companies Advisory Board of the trading companies and the Weapons Production Advisory Board of the manufacturers established close working relationships with the government's Economic Deliberation Agency (formerly the Economic Stability Headquarters, later the Economic Planning Agency) and the U.S. Army Procurement Agency in Japan (JPA). The JPA established a close working relationship with the government's Economic Advisory Agency (formerly the Economic Stability Board, later the Economic Planning Agency) and the JPA. The role of these two groups, among others, was to 'ensure that the most important concern at the moment is to make the government determined to make progress on rearmament and gain visibility into its own weapons production'.<sup>42</sup> example, in October 1947, after Yoshinari Kawai, who had been active in munitions production and arms exports, was appointed president, Komatsu responded to the JPA's first special arms procurement in June 1952 by bidding for a large quantity of shells (totalling 16 billion yen over the next several rounds). In October 1952, the company made an unofficial offer to sell the Hirakata Works, an Army Arsenal, to Komatsu. In October 1952, the company was offered the disposal of the Hirakata Works of the Army Arsenal. In September 1953, Komatsu received a series of orders for the Kaita area of the former Hirakata Arsenal, and in October 1953, it received orders for the Nakamiya and Nakamiya areas of the (former Army) Arsenal. In October 1953, Komatsu Manufacturing became a typical example of a company that was steadily becoming a munitions company.<sup>43</sup>

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<sup>40</sup> Usami[1953],p.104.

<sup>41</sup> Kimura[1953],p.91.

<sup>42</sup> Hirai[1953],p.110.

<sup>43</sup> 43) From the chronology in Komatsu Seisakusho [1971]. Yoshinari Kawai, president of Komatsu Ltd., was also keenly interested in arms exports: 'As far as ammunition is concerned, we are able to meet the demands of Southeast Asian countries in addition to satisfying our own defense needs in peacetime. ... We have no regrets about engaging in this business, and we have created a huge export industry for Japan' (Defense Production Committee [1964], p. 83).

These moves were similar to those of other companies involved in heavy industries, literally speaking of Japan's pride as the 'arsenal of Asia' and the leading sector of the Japanese industry as a whole.<sup>44</sup> However, the percentage of that defence industry to the total Japanese industry in terms of numbers was never significant. For example, 'Japan's defence industry was of low relative importance from an economic standpoint. After the end of the Korean War, the production of defence equipment as a percentage of industrial output declined from 1.2% in 1954 to 1.0% in 1955 to 0.5% in 1965. It has generally remained at that level since then'.<sup>45</sup> The report also pointed out that 'the rate of return on investment has been declining since then'. Critical discussions of the Keidanren's proposal were not infrequent. For example, economist Ryoza Takahashi, known as the author of 'Introduction to the Theory of Controlled Economy' (Gakurinsha, 1950), criticised the 'Keidanren Draft' in an essay entitled, 'The Whole Picture of the "Defence Production" Plan' by highlighting four points.

The first was to strike a balance among the three forces. Second, it involves enormous capital investment, which puts pressure on the peace industry. Third, only a small fraction of the equipment that has been built with such an unreasonable investment will operate at all. Fourth, subordination to the U.S. and British military capital will become inevitable'.<sup>46</sup>

While implicitly criticising the idea of creating the Self-Defence Forces as a receptacle for the defence industry without a strategic theory by equipping the three Self-Defence Forces, the author expresses his concern that excessive investment in the defence industry will put pressure on civilian demand. He also cites that even excessive capital investment will not be returned as corporate profits and, under the expectation that capital accumulation will not progress, the defence industry will eventually become subordinated to the Anglo-American military capital. In the end, it will continue the defence industry through inflated capital investment.

Takahashi's concerns have since become a real issue, spreading to many economists, politicians and even entrepreneurs. It became not only an issue of Japan's economic independence but also a heated debate over how to build Japan's defence system.<sup>47</sup>

#### 4. The Rise of Self-Defence and the Parallels Between Self-Defence and Light Armaments: Japan's Defence Policy During the Cold War

##### **(1) Conflict over the defence policy**

The Yoshida Cabinet's policy was basically to restrict capital investment in the defence industry to prioritise the independence of the Japanese economy and equip the forthcoming Self Defence Forces with as light equipment as possible.<sup>48</sup> It was also clear to all that

<sup>44</sup> Indeed, one aspect of Japanese arms exports during the period in question is that 'Japan exported 37mm shells to Thailand in 1953, and other weapons were also exported to Burma, Taiwan, Brazil, South Vietnam, Indonesia, and the United States, but not in large quantities. It has been noted that "the Japanese defense industry concentrated on meeting the demands of the Self-Defense Forces and its growing defense industrial base"' (Palmer [2010], p. 119).

<sup>45</sup> Sakuragawa[1995],p.125.

<sup>46</sup> Kimura[1953],p.90.

<sup>47</sup> Terasawa [1952] introduced Nabayama [1950a]; Nabayama [1950b]; Ashida [1950a]; Ashida [1950b]; Ashida [1951a] Ashida [1951b]; Ito [1951]; Akiyama [1951], etc.

<sup>48</sup> There are a number of studies that have put forward the viewpoint that the rearmament theory of Shigeru Yoshida, who consistently advocated the concept of light military forces from the rearmament process to the creation of the Self-Defense Forces, is the 'Yoshida Line' and that this is a characteristic of Japan's postwar defense policy.

Japan's defence policy during that period was dictated by the U.S. military strategy.

This issue was also discussed in the Diet debate. For example, Fukuzo Nakayama of the Liberal Party said, 'Assuming that a Pacific defence alliance of liberal nations is formed as a result of the MSA, there was considerable discussion in the House of Representatives recently, and Director General Kimura of the National Security Agency said that he might mobilise some of the troops to take a joint stand, but he would not deploy them to the front lines. However, we will not deploy troops to the front lines but may cooperate internally'. In response to this statement, Prime Minister Yoshida said, 'We have not promised to deploy troops overseas. We have no intention of participating in the Pacific Alliance, nor do we have any such plans at this time'.<sup>49</sup>

What this meant was that he denied that Japan's defence during the Cold War was defined by the U.S. and emphasised Japan's self-defence policy. In Yoshida's judgment, following U.S. regulations would force the Self-Defence Forces to become heavily armed instead of lightly armed, and he developed the theory that excessive capital investment in the defence industry was inevitable.

Prime Minister Yoshida also stated, 'Regarding the MSA issue, we did not agree to the MSA because of pressure from the U.S. but because the U.S. requested and hoped for it, and Japan also requested and hoped for it. As a result of discussions, the MSA was established. I believe that the Minister of Foreign Affairs has explained this fully'. Indeed, the Minister of Foreign Affairs had already explained this to the Socialist Party and others who criticised his policy of subservience to the U.S.<sup>50</sup>

One serious point of contention that cannot be avoided when discussing defence policy is its relationship with Article 9 of Japan's Constitution. The government side has been at pains to explain this point. Although Ogata Taketora, Deputy Prime Minister of the Yoshida Cabinet, argued that 'the MSA arrangement does not add any military obligation and, in that sense, I believe it is not a violation of the Constitution', he was criticised by Soma Sukenji of the Japan Socialist Party for saying that Article 8 clearly 'reaffirms the decision to fulfil military obligations under the Security Treaty. Article 8 clearly states, 'We reaffirm our determination to fulfil our military obligations under the Security Treaty. And by determination, I think this is generally intended to involve action'.<sup>51</sup> This was rejected outright.

From these exchanges, the question of how to explain the consistency between the military and the Constitution, including Prime Minister Yoshida's concept of light armaments, has been a consistent issue in Japan's defence policy since the end of World War II. It is for this reason that Japan's defence policy has lacked consistency and has repeatedly become an ambiguous policy issue for the ruling and opposition parties. This is why Japan's defence policy lacks coherence and has become a recurring point of contention between the ruling and opposition parties as an ambiguous policy issue.

## **(2) Arms export markets and export performance**

Until then, the defence industry had been a wartime depletion compensation for the Korean War. After the armistice of the Korean War in 1955, when the suspension of orders for ammunition, a consumable item, became a reality, the Defence Production Board began the

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<sup>49</sup> The above is the '19th House of Councilors Budget Committee Meeting Minutes', No. 26, April 22, 1954, p. 3.

<sup>50</sup> The 19th Budget Committee Meeting of the House of Councillors, No. 26, April 22, 1954, p. 4.

<sup>51</sup> The 19th Budget Committee Minutes of the House of Councillors, No. 27, April 23, 1954, p. 11.

process of identifying ammunition and other arms export destinations.<sup>52</sup> With the rapid increase in U.S. military assistance to Southeast Asian countries, which emerged as a point of contention in international conflicts during the relevant period, the Defence Production Board also embarked on a detailed investigation to explore the possibility of arms exports to the region. It was reported that a total of 219 items were surveyed, including 54 items of facility equipment, military vehicles, tanks and others, 54 weapons and important items, 63 items of communication equipment, 41 items of ammunition, 2 aircraft models and 5 other items.<sup>53</sup>

The following year, in March 1956, the Japan Federation of Economic Organisations also dispatched an economic goodwill civilian mission to Vietnam, Cambodia, Thailand, Burma and Pakistan, with economic development cooperation as the main issue. Military assistance, in a broad sense, was also planned, including technical assistance to the Vietnamese naval arsenal. However, it took some time before the dispatch of engineers was realised in the spring of 1958. Thereafter, arms exports did not achieve the initially expected export performance due to political problems and the underdevelopment of the defence production system. Specifically, as of June 1959, the total amount of actual weapons exports was \$16.74 million, of which \$4.91 million was compensation payments.<sup>54</sup>

Despite the enthusiasm of the Defence Production Board, the results were disappointing, and an 'Opinion on Arms Exports' was prepared on 12 July 1962. The report pointed out the reasons for the sluggish exports and concluded that arms exports should be further increased to overcome such problems. The Defence Production Board was trying hard to find ways to increase arms exports as much as possible.

In tracking the actual situation, although about 46% of the weapons procured in 1958, when the First National Defence Force Development Plan was announced, came from grant aid from the U.S. military, the shift to domestic production of equipment steadily progressed. In this sense, the trend towards self-reliance became apparent. In this connection, Masao Kihara stated, 'In 1955, when the Basic Policy for the Defence Program was decided, there was a development from military production based on special procurement to "self-reliant" defence production based on the defence program. In 1958, when the First Defence Force Development Plan was openly launched, more procurement was made by the SDF compared with special procurement, and defence production also became "stable". With a "market", the items of military goods changed and diversified, and the foundation for domestic production of military supplies was established',<sup>55</sup> noted the report. Furthermore, 'In 1962, the mass production system of military production that enabled the domestic procurement of the SDF became established and autonomous, with monopoly capital at the centre of the system'<sup>56</sup>.

However, it should be noted that Kimura's point about independence in terms of munitions is not necessarily true at the quantitative level. It goes without saying that Japan had no choice but to depend on the U.S. for many of the high-value weapons that required

<sup>52</sup> In this connection, the Federation of Economic Organizations of Japan (Keidanren) stated, 'At present, Japanese arms production has resumed on the basis of special demand from the United States. Therefore, for this to proceed systematically, it is an indispensable requirement that orders be placed systematically and continuously with a certain outlook, along with the development of Japan's own readiness to receive such orders' (Resumption of Weapons Industry and Future Problems: A Summary Report on the Work of the Defense Production Committee, Keidanren Monthly Report, Vol. 1, No. 3, March 1953, p. 34).

<sup>53</sup> Committee on Defense Production [1964], p. 183.

<sup>54</sup> Defense Production Board [1964], p. 202. By item, \$744,000 for ammunition and explosives, \$4,140,000 for aircraft, \$584,000 for ships, \$1,574,000 for vehicle parts, etc.

<sup>55</sup> Kihara [1972], p. 7.

<sup>56</sup> Kihara [1972], p. 8.

advanced technology.

## 5. Conclusion: Summarising the Three Issues

Finally, we conclude with a summary of the three issues raised in this paper. For the first issue, Japan's defence production and policy during the Cold War period were enacted in the midst of rapid changes in the security environment in the Asian region after the Korean War. In addition, the U.S. continued to request Japan to enhance its defence capabilities from its democratisation policy. Moreover, Japan's independence and alliance framework were certainly defined by trends in the U.S. strategy towards Asia. In other words, the U.S. defence buildup against Japan was a key factor in the U.S. strategy towards the region. The U.S.' request to strengthen Japan's defence against the Soviet Union and China came from a part of the U.S. military strategy against the Soviet Union and China. Japan's economic development was positioned as a means to achieve this goal.

Within this framework, the pace of development of the defence industry during the Cold War period of the 1950s, which began around the time of the Korean War, was regulated. The process of such regulation resulted in economic independence. In this sense, the strengthening and development of the military (defence) and the economy in Japan were inextricably linked. From there, the inherently conflicting and contradictory relationship of independence and alliance became diluted, making the development process of Japan's defence policy very difficult to watch.

It should be a given that a country's defence should be self-sustaining. However, during the Cold War, Japan was forced to identify itself with the superpower, the U.S. Therefore, to sum up this reality in terms of subordination or dependence is an extremely cynical understanding of the situation. The uncertainty in the defence policy of the postwar Japanese nation that has persisted to the present actually stems from this uncertainty during the Cold War period.

The second issue concerns the controversy over the evaluation of the defence policy under the Yoshida administration, which is the subject of this paper. In other words, there is a limit to understanding Prime Minister Yoshida's stance, which responded to the U.S.' demand for increased defence capabilities with a light arms concept to maintain a course of economic priority in terms of independence and self-reliance. Although Yoshida was very careful to ensure that quantitative expansion did not become the sole focus of his policy, he was by no means opposed to the strengthening of defence forces, nor was Hitoshi Ashida negligent in his relations with the U.S.

Therefore, it is said that the expectations and evaluations of Yoshida were higher than those of Hitoshi Ashida, who had aggressively advocated the strengthening of defence capabilities. Even for Ashida, the defence buildup was certainly a defence buildup in the sense of preparing the appearance of Japan as an independent country, and he always had in mind the strengthening of the alliance with the U.S. for this purpose. In this sense, there is a contrast between Yoshida's theory of light armaments and Ashida's theory of heavy armaments; however, in reality, while emphasising Japan's independence in the rearmament process, Ashida, who placed this issue within the context of the Japan-U.S. Security Treaty, considered 'independence' and 'alliance' to be two sides of the same coin and not concepts that were oriented in different directions. As Ashida pointed out in his essay 'The United

States and Japan',<sup>57</sup> 'Independence' or 'self-reliance' and 'alliance' were not conceived of as opposing concepts or as opposing policies. From this point of view, the difference between Yoshida's and Ashida's defence policies was not fundamental.

The coexistence of 'self-reliance' and 'alliance' within the same vector was the same in Korea and became a characteristic of Japan's postwar defence policy to a greater degree than in Korea as a homogeneous issue, whether conservative or innovative. As discussed in this paper, the defence industry forced Japan to restart its postwar industry and to revive civilian demand. It was essential to leverage the defence industry, even though the prewar military industry was partially dismantled. This was spurred on by the special procurement demand resulting from the Korean War. The fact that civilian demand was revitalised with the military as the leading sector may be accepted today as an undeniable economic and political reality. The business executives represented by the Defence Production Committee were keenly aware of this fact and insisted on its implementation.

Regarding the third issue, we can learn from the heated debate in the Diet between the ruling and opposition parties over the status of the MSA agreement that it was a dispute over self-defence and the Japan-U.S. alliance rather than a dispute that resulted from differences in interpretation. Certainly, the MSA agreement was an agreement between the U.S. and Japan that should be viewed under the category of military assistance. It is also true that the MSA agreement was filled with intense feelings of rejection. Moreover, the memories of the war had a strong influence on the debate. More than that, it was the fact that Japan had made a fresh start as a peaceful nation under the new Constitution, and the principles of defence policy optimal for a peaceful nation, the enhancement of the defence industry to support it and its support for economic independence while suppressing the rise of new militarism were the main points of the debate.

Among these, the role of the Defence Production Board was particularly noteworthy in this paper. It is known that it was not only oriented towards the expansion of defence production for the purpose of increasing defence capability in a linear fashion but also called for complementary development and enhancement within a certain balance between the so-called civilian and military demands. This was a rational choice that would curb Japan's militaristic political climate and enable the gradual development of an optimal minimum defence force. However, it was also true that amid the fierce disputes between the ruling and opposition parties, the formulation of a stable and definitive defence policy did not proceed smoothly.

Therefore, the U.S. did not necessarily have absolute confidence in the Japanese government, including the administration of Shigeru Yoshida, which is said to have been relatively more credible from the U.S. perspective. It was always aware of the possibility that the Japanese government and people might turn anti-American, and for this reason, it never nakedly called for a coercive buildup of defence capabilities. For the U.S., Japan was an important nation in its strategy towards the Soviet Union and China. At the same time, the U.S. was consistently wary of Japan moving towards a trend of de-U.S. neutrality.

In the context of the overall intent of this paper, defence production in the broad sense, including the issue of defence policy, has been extremely autonomous and has the potential to change in any way depending on international factors. The future of Japan's independence and alliances as an independent nation would ultimately be defined by the pressure of the U.S., and the ambiguity would deepen without end.

As a result, in the absence of a firm and steadfast Japanese defence policy, the

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<sup>57</sup> Nakano [2006], p. 115.

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development of the defence industry has also been influenced by extreme political factors. While defence policy and the defence industry have changed substantially since the end of the Cold War and through Japan's rapid economic growth to the present, the structure of the defence industry, which continues to be tied to the external factor of the U.S., has remained unchanged.

The MSA agreement is divided into two categories: end-item aid and defence support aid. The former is further divided into U.S.-made weapons loans and offshore procurement of weapons. This makes us keenly aware of the need to explain the actual status of the U.S. military and aid from the perspective of the U.S. military strategy through a detailed analysis of the actual status of military aid applied to Japan based on the diversity of U.S. military aid. I would like to leave this as an issue for the future.

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