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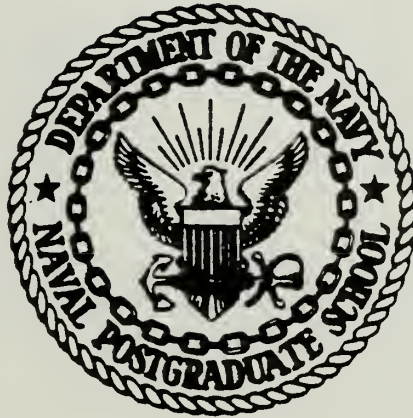






# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



# THESIS

JAPAN AT THE CROSSROADS  
ARMAMENTS AND INDEPENDENCE

by

Peter Raymond Smith

December 1980

Thesis Advisor:

Claude A. Buss

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Japan at the Crossroads  
Armaments and Independence

by

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Lieutenant Commander, United States Navy  
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Submitted in partial fulfillment of the  
requirements for the degree of

MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS

from the

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December 1980

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## ABSTRACT

As a result of the concurrence of changes in the strategic environment in Northeast Asia and the severe economic recession in the defense industries, the Japanese are at a crossroads in the formation of their future defense and foreign policies.

From 1867 to the present time Japan has pursued a low key foreign policy which prohibits the exportation of weaponry. This policy was possible only because of the Japanese reliance on the defense umbrella of the United States and the continuing prosperity of the Japanese economy.

It is the hypothesis of this thesis that the original force of the ban on arms export is beginning to erode as the twin premises on which the policy was based are in the process of change. Evidences of this erosion are examined with a view to determining whether the variations are temporary and isolated or whether they are manifestations of a growing consensus advocating new directions as a basis for permanent policy.



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I would also like to dedicate this thesis to the memory of my father. He was always there with a quiet word of encouragement to help me through the difficult times in my life. His untimely passing will be deeply regretted by his family and friends but the love which he had for his family and for life itself will always remain alive in the memory of those who knew him.



## I. INTRODUCTION

At the beginning of the 1980s Japan finds itself at the crossroads in the formulation of its future defense and foreign policies. Since the end of the Occupation in 1949, Japan's policies have been determined by the economic requirements of its industrial growth and by a generally low key, passive foreign policy under the umbrella of the defense strength of the United States. However, in view of the present strategic environment in Northeast Asia, the time appears to have come for Japan to reassess the value of these policies in furthering Japan's perceived national interests within that strategic environment.

One of the important elements of Japan's low key foreign policies has been its position concerning arms transfers. The production of armaments has been an integral part of Japan's developmental process and it will undoubtedly be an equally important part of its future development. The dilemma which Japan faces today however, is that of formulating an arms transfer policy which will not damage Japan's international image or inhibit other facets of its export oriented industrial structure. Since 1967 Japan's armaments industries have been restrained by a governmental policy prohibiting the exportation of weaponry.



This policy was first enunciated by Prime Minister Sato Eisako in a speech before the National Diet wherein he stated that his government would be guided by three basic principles concerning arms export. Specifically, these three principles hold that Japan will not export weapons to:

1. The Communist countries, in observation of COCOM decisions;
2. Countries to which UN resolutions discourage export; and
3. Countries likely to become party to international disputes.

These three principles were further expanded in 1976 when the government of Prime Minister Miki Takeo added that:

1. Japan shall not export weapons to areas as stipulated in the "Three Principles" of 1967;
2. Japan shall also refrain from exporting weapons to areas not referred to in the "Three Principles" as well; and
3. Japan shall consider equipment and facilities used to manufacture weapons equivalent to weapons.<sup>1</sup>

The above Sato-Miki principles have since formed the cornerstone of the Japanese government's position vis-a-vis arms transfers to the world community.

The hypothesis of this thesis is that the original force of the "Three Principles on the Export of Weapons" is eroding due to a severe economic recession in the Japanese defense industries and to a changing perception of the Northeast Asian strategic environment wherein the Japanese have begun to question, perhaps subtly, the credibility of



the United States' protection guarantee, as provided under the terms of the Japan-U.S. Mutual Security Treaty.

The procedure to be followed in testing this hypothesis will be to analyze the historical background of the armaments industries of Japan and Japanese policies regarding the development of arms in response to geo-strategic pressures which led to the enunciation of the "Three Principles" policy. I shall investigate whether actual Japanese transfers of arms and other military related items and technology do in fact conform to the SATO-Miki principles. I shall look for evidence which might suggest that the Japanese have made, or are contemplating making, departures from these principles in actual practice. I shall then analyze whether these variations reflect an isolated, temporary situation or whether they are manifestations of the classic consensus building process within the Japanese government and business circles which could ultimately lead to a modification of the basic principles theoretically being followed at present.

Building evidence upon the analysis of the current situation within the arms industry in Japan, and considering the changing strategic environment within Northeast Asia, I shall then ask a fundamental question concerning whether Japan has indeed reached a crossroads wherein it must decide whether to continue to follow its present restricted course of reliance upon the United States security umbrella or whether



it should proceed in the direction of altering its traditional postwar policy to allow it more independence of action in choosing which options to follow in furtherance of its perceived National security interests.

Chapter II of this thesis will examine the Japanese arms export ban as it has been put into actual practice in recent years with particular attention given to Japanese transactions with the People's Republic of China (PRC) since the signing of their Treaty of Peace and Friendship in 1978. It will also consider transfers to the Soviet Union, the Philippines and to the Korean Peninsula in order to discover whether or not the Japanese are relaxing their formerly strict adherence to the "Three Principles" policy.

Chapter III will provide an overview of the Japanese consensus building process and how that process may be affecting the continued adherence to the "Three Principles" policy. This section will look at the events and transactions of the past three years relating to the arms export policy in an effort to determine whether there has been a development of consensus among the current Japanese political leadership and the industrial hierarchy toward a modification, if not actual retraction, of the 1967 ban.

Chapter IV will show how the present situation has evolved by examining the historical aspects of Japan's modernization effort which began with the Meiji restoration in 1868. It will investigate historical Japanese responses



in the defense industrial field, to external and internal pressures during the three major periods of Japanese growth since its entry onto the international scene in 1854.

These periods are the Meiji period from 1868 to 1912, the post-World War I era from 1914 to 1937 and the post-World War II period from 1945 to the present. The emphasis of this section will be to determine whether there are any traditional response patterns common throughout each of these three periods that might be useful to understanding and assessing the defense-industrial policies being implemented by Tokyo today.

Chapter V will examine the influence of the current strategic environment in Northeast Asia on the consensus building process in Japan. It will take into account the Kurile Islands dispute between Japan and the Soviet Union; the relationship between Japan and the events on the Korean Peninsula; the normalization of relations with the People's Republic of China; the overall build-up of Soviet military forces in the Pacific region, and the perceived diminution of United States capabilities. Consideration will also be given to Japan's Balance of Trade problems with the Middle East countries as a result of the continuing spiral in the cost of energy resources and how the expansion of the arms industry into the export sector could alleviate some of these problems. This chapter also will examine the economic aspects of Japan's relationship with the United



States and the effects which this has had on the defense issue as Japan moves toward a more independent policy worldwide.

The closing chapter will be an overall evaluation of the original hypothesis, noting the trends perceivable at present and how these trends fit into the developing goals of an increasingly independent Japan. It will discuss Japan's recent actions on the world stage in light of the geo-strategic developments taking place and will posit a forecast of the future direction of the Japanese government's policies concerning arms exports.



## II. THE EXPORT BAN IN PRACTICE

The best way to judge the effectiveness and overall applicability of a prohibitive policy such as the "Three Principles on the Export of Weapons" is to investigate how that policy has been implemented by those individuals and agencies tasked with supervising the policy itself and how those restrictions have been accepted by the individuals and organizations directly affected by those restrictions.

In assessing the present validity of Japan's "Three Principles", one of the factors which should be considered first is the recent rapid technological advances which have been achieved across the entire industrial spectrum. This technological "revolution" has resulted in a blurring of the fine line that separates what is civilian related technology versus what is military related, thus making any study of specific defense industries and military industrial related policies difficult at best. This problem was most cogently stated by the President of Texas Instruments during testimony before the U.S. House of Representatives Subcommittee on International Security and Scientific Affairs wherein he said:

"people don't understand what technology is, and they do not understand the importance of protecting it. And therefore, that puts the people who are responsible for the control of the exporting of technology in a very tight position."<sup>2</sup>



Technology transfers may take place in any number of ways, some of which being more effective than others. Simple products can be sold directly and thus be used as originally designed, or the product can be sold and "reverse engineered," i.e., the product itself is analyzed so as to determine how to build it. The Soviets have demonstrated such a practice by buying "prototypes" and then proceeding to manufacture their own version while ignoring the patent rights of the original manufacturer. In addition to this form of technology transfer, whole systems rather than just component parts can be sold. Extending this a bit further, whole processes or plants can be bought and installed in a "turn key" fashion. Licensing arrangements can be worked out to produce proprietary products or use proprietary processes. Acquisition of available literature (open technical or scientific literature) provides a particularly rich source of world technical know-how on weapons related industries. The exchange of people also, both official and unofficial, frequently results in a transfer of technology.<sup>3</sup>

It is in this gray area of arms technology transfer that an indication of a gradual movement on the part of the Japanese away from the "Three Principles" would most likely occur first. Therefore the writer conducted an investigation of Japanese transactions over the past three years to determine whether transfers of this kind had in fact been carried out involving industrial technology with potential



military applications. The results of this investigation show that the Japanese have indeed used all of the above methods in the past three years in various arrangements throughout the world. Most recently they have finalized agreements relating to "gray area" technology transfers in a variety of fields with the People's Republic of China. However, they have not limited these transfers strictly to the Chinese; the Soviets, the South Koreans and the North Koreans have also been the recipients of Japanese weapons related products or projects over the past few years.

The potential for world export of arms technology is great, especially in regard to sales to developing countries. For example, as early as 1975 a machine industry group from China visited Japan with a shopping list that included anti-tank missiles, tanks, jet fighter, engines, gunnery control devices, air-to-air and air-to-ground missiles, radio and telecommunications equipment, ground radar and anti-submarine patrol planes.<sup>4</sup> At the time all of these requests were turned down by the Japanese government. However, in 1977 Kawasaki Heavy Industries proposed the sale of six V-107 helicopters (under license from the U.S.), along with accompanying infrastructure, to Saudi Arabia. Kawasaki contended that the helicopters were to be used for fire fighting and emergency rescue but critics did not believe it and thus they attacked the sale on the grounds that it violated the ban on exports, thereby making it the first



acid test of the fears expressed by some Japanese critics and editorial writers that once the rules regarding the prohibition of arms exports are stretched there may be no end to the process.<sup>5</sup> Although criticism of the sale was loud, it was nonetheless approved quietly by the Japanese government and the helicopters were delivered in 1978 as noted in the figures presented in Appendix A.<sup>6</sup>

#### A. THE PEOPLE'S REPUBLIC OF CHINA

The watershed in the Japanese transfer of "gray area" technologies actually began just prior to the normalization of relations between Japan and the People's Republic of China. Although Prime Minister Fukuda reiterated his intention to adhere to the government's principles concerning arms exports in the Diet on the 6th of March 1978, the Mitsubishi Corporation announced on the 5th of April that the Mitsubishi group of companies had agreed to provide "technical assistance" to China in developing nuclear, aircraft and other backbone industries. The broad agreement was intended to provide the basis for technical assistance in building new plants and renovating old ones, as well as in training Chinese technicians and in establishing plant management and production control systems.<sup>7</sup>

On the 12th of May 1978, Hitachi Ltd. said it had requested permission from the Japanese government to export to China a large electronic computer to be used for



geological exploration purposes, particularly in the search for mineral resources. The company said it had received an order from the Chinese government for an "M series type 160 II" computer and accessories, worth well over ¥1 billion. One of the largest types of computers made by Japan, the M-160 II required the approval of the Paris based Coordinating Committee for Export Control (COCOM) before the sale could go through and it therefore, marked the beginning of a Japanese "assault" on the basic premises upon which COCOM had been established.<sup>8</sup>

In July 1978, just before the signing of the Sino-Japanese Peace and Friendship Treaty, Japanese arms manufacturers announced that they would send a mission to China in September led by Murai Eitaro, president of the Society of Japanese Aerospace Companies to "promote technical exchanges and survey the Chinese weapons industry." When asked about the export restrictions, the spokesman pointed out that Japan would be able to supply China with precision machinery necessary to manufacture aircraft and other items recognized as non-weaponry. Additionally, the spokesman noted that know-how for weapons production in China, including factory systems, management and training in the effective use of computers could also be provided within the terms of the present riders. MITI, in a statement made after the above announcement, reiterated the government's position on the non-exportation of arms but qualified it by



saying that the government might allow the export of helicopters and flying boats for rescue operations if a COCOM sanction was given regarding the computers mounted in them.<sup>9</sup>

On 31 July 1978, Hino Motors Ltd won a Chinese order for 664 heavy duty trucks and trailers worth about ¥3.5 billion, for shipment prior to the end of that year. The timing of this order, with a very short deadline date for delivery leads to the possible conclusion that it was made in preparation for the support of the hostilities against the Vietnamese later that year. Also on order from the China National Machinery Import-Export Corporation were 547 10 ton capacity general cargo trucks, 70 five-ton general cargo trucks, 15 nine-ton dump trucks, 4 fifteen-ton dump trucks, 10 heavy duty tractors, 10 trailers and 6 ten-ton tank lorries for a total Chinese truck order for 1978 of 3,164 units valued at ¥12 billion.<sup>10</sup>

On 23 August 1978, Toshiba Corporation and Hitachi Ltd. announced the signing of a formal contract with China National Technology Import Corporation for the export of an Integrated Circuit plant. Toshiba said it and Hitachi would seek COCOM approval which they expected to receive due to COCOM's previous approval of an Integrated Circuit plant to Hungary by a US company.<sup>11</sup> This was the first reference to a technology that is vital to the development of precision guided weapons and high accuracy delivery systems.



In an editorial in the Asahi Evening News on 21 August 1978, it was disclosed that customs clearance records for the first half of the year showed that Japan-China trade in the January-June period had increased by 16% on a yen basis over the same period in 1977. The editorial went on to note that "For Japan, which is arousing trade frictions all over, Japan-China trade is one of the brightest fields and that among industries which China was interested in concluding agreements were such military related industries as steel mill modernization and petrochemical development." The article then went on to discuss the problems and obstacles encountered by the Japanese. In reviewing the pace of growth of China's international trade not only with Japan, but with such other nations as the United States and the European Community, the Asahi Shimbun stated that it felt the time had come for restudying the COCOM restrictions. The paper called on the government to exert extra efforts to ease the COCOM restrictions so they will not prevent the exports of industrial plants for peaceful purposes.<sup>12</sup>

The first actual military contacts between the PRC and Japan came on the 9th of September 1978 when Chang Tsai-chien, deputy chief of the PLA General Staff, held meetings with the Japanese Joint Staff Council chairman Takashina. Chang stated, in the spirit of signing of the peace and friendship treaty, "Let us expedite the exchange of military experts. Please come to China for a visit without fail."<sup>13</sup>



A report on the visit published by Yomiuri Shimbun, noted that Takashina's reply that "he would like to visit China when he has the time," was not made merely as a diplomatic courtesy, but noted that "among the uniformed officials (read SDF), there are strong voices insisting: "the enemy of an enemy is a friend. Both Japan and China regard the Soviet Union as a potential threat. Besides, in view of the Sino-US rapprochement, Japan had better actively promote exchanges with China."<sup>14</sup>

The subject of COCOM restrictions returned to center stage once again on 21 September 1978 when the government announced that it would exert all efforts to secure the relaxation of restrictions on exports to the communist bloc, with major emphasis on some specific items to be exported to China such as control computers and integrated circuits, which the Japanese allege to be for peaceful purposes. The Japanese government thinks that the relaxation of these restrictions is indispensable for the expansion of Japan-China trade and it wants to endeavor, above all, to secure "special approval" for the export of some specific items it feels cannot be used for military purposes but are nonetheless included on COCOM's list of restricted items.<sup>15</sup>

The first agreement between Japan and China for technology transfers directly linked to defense production capability also came in September 1978 when Daido Special Steel Co. of Nagoya concluded an agreement for cooperation



in the expanded development of a special steel mill in China. Special steel is a material indispensable to the defense industry. The Asahi Shimbun article which reported this incident, noted that the Chinese had, until recently, kept their special steel operations cloaked in a veil of secrecy and that, by virtue of its agreement with Daido, China appears to regard the reinforcement of its special steel productivity as a "pressing task" and appears to have concluded that its technology alone is not sufficient to attain self-reliance rapidly. The article further notes that China is looking to geographically close Japan and has selected Daido Steel as its partner for such cooperation - a company "whose technology is reputedly at the world's highest level and whose enthusiasm for trade with China is well known."<sup>16</sup>

Japan moved on from this juncture into the realm of aircraft manufacture technology with the return of the Murai delegation of the Japan Aeronautical and Space Industrial Association. Murai announced that China was interested in purchasing YS-11's, the first postwar aircraft built by Japan, and because it is considered a "civilian" aircraft, their export would not fall under the COCOM embargo even though, with slight modifications of the doors and other parts, it could be turned into a military transport aircraft if China desired.<sup>17</sup>



The Japanese press also revealed that Chinese officials had indicated to this group a desire to participate with the Japanese in the joint development of jet engines for use in aircraft. It is believed that the Chinese are interested in the Japanese development program of an engine for short-take-off and landing (STOL) then being conducted by the Science and Technology Agency under the auspices of MITI and the Agency of Industrial Science and Technology.<sup>18</sup>

Further agreements in these hazy area of modern technology were concluded between the Japanese and Chinese throughout the remainder of 1978 and during the course of 1979. The agreements included such things as the development of seamless steel tube plants (easily convertible to artillery barrel production); Computers of all sizes for uses ranging from meteorological observations to geophysical studies; cargo ships of the roll-on, roll-off variety essential for the rapid transfer of materials in port areas with limited infrastructure such as are found in underdeveloped China;<sup>19</sup> large scale integrated circuits for the production of "electronic watches" (but with obvious applications in the production of guided missiles and other modern weaponry).<sup>20</sup>

Japan has agreed to assist the PRC in the development of its rail and highway systems and other infrastructure related items that also have obvious military applications as well as civilian ones. All of these developments have



proceeded with scant attention being paid to the "Three Principles on the Export of Weapons". In fact, over the three year period researched, the only LDP member to question publicly these developments was Esaki Masumi, the chairman of the LDP Policy Affairs Research Council, who, on 16 November 1978, expressed concern about the propriety of offering technology, including military know-how to China. However, even he qualified his statements by noting that although the danger of such exportation was clear, he did say that if China were to become an important market for American military weapons after the normalization of US-China relations, then Japan would be forced to "study countermeasures", thus hinting at the possibility of Japan's delivery of military weapons, as distinguished from military technology to China in the somewhat distant future.<sup>21</sup>

## B. THE SOVIET UNION

While China appears to have been the focus for the recent apparent violations of the arms export ban, it was by no means the only recipient of Japanese largesse in the realm of weapons-related technology transfers. In January 1978, the USSR ordered a mammoth floating drydock from Ishikawajima-Harima Heavy Industries, sufficient in size to accommodate vessels up to 80,000 tons. The sale of this floating dock was approved by the Japanese Ministry of International Trade and Industry (MITI) and delivered to the



Soviet Union for use at Vladivostok in 1979 in time to provide services to the newest additions to the Soviet Far Eastern Fleet, her ASW carrier MINSK, and the latest Soviet class of amphibious ship, the IVAN ROGOV. This sale was completed successfully in spite of the concern expressed about its military uses not only within Japan but by Western nations as well.

In addition to the floating drydock for the MINSK, the Soviet Union also received medium sized computer systems from Nippon Electric Co., and television relay systems with associated microwave facilities for use during the Moscow Olympics.<sup>22</sup>

#### C. THE PHILIPPINES

In July 1978, the National Defense Department of the Philippines revealed that it was importing parts for hand-grenades from Japan, thereby becoming the first foreign government to officially confirm that arms had been imported from Japan. The importation practice surfaced due to the discovery of some 2,000 safety pins for grenades in three boxes among baggage arriving at Manila from Narita airport in Japan. Checks by customs officials revealed that the baggage belonged to Kanazawa Kazuo, president of Fuji Industrial Co.

While the debate over the grenade parts was raging a further disclosure by Philippines naval authorities that



12 LST's also had been imported from Japan for use in the country's regional economic development program, thereby adding fuel to an unwanted fire in the Japanese Diet and press. In confirming the fact that the LST's had, in fact, been exported to the Philippines under government sanction, MITI stressed that they were LST's of "the old type" which belonged to the US but had been loaned to the Japanese Maritime Self Defense Forces. Naval authorities said they had been repaired at Sasebo so they could be used to haul construction materials and that they were unfit for combat duty. Nevertheless, the damage had been done to the previously quiet circumvention of the export ban.<sup>23</sup>

On 10 October 1978, the Tokyo District Public Prosecutor's Office indicted Kanazawa for smuggling parts of hand grenades to the Philippines. Kanazawa was charged with exporting a total of 897,295 pieces of hand grenade fuse to the Philippines in three shipments beginning in 1976 without the approval of the Ministry of International Trade and Industry.<sup>24</sup> In discussions with the Asahi Shimbun Washington Office on November 26, 1980 it was learned that Kanazawa was convicted of smuggling on 16 March 1979 at Tokyo District Court. A sentence of 1 year and 6 months in prison was suspended in lieu of a 6 month probationary period and his company was ordered to pay a fine of ¥8 million.



#### D. THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

The possibility of further Japanese circumvention of Tokyo's arms export restrictions also exists with regard to the Democratic People's Republic of Korea. Japan has maintained continuous contacts with the Kim Il-sung regime in the post-war period in spite of its close alliance with the United States and ties to the ROK. There is still a large Korean population within Japan with ties to the north and there are small but active lobbies within the Diet and business communities working toward a widening of the relationship between the two countries. Even though the North Koreans have repeatedly defaulted on repayment of loans and other contractual obligations with the Japanese, trade continues with minimal disruption. Twice during the past three years, Japan sent teams of negotiators to North Korea to reach accommodation on a repayment schedule. Both times it was decided in favor of the North Koreans.

Overall, Japan has been assisting in the industrial modernization and development of the North Korean economy, generally in the heavy industry sector, in return for agreements on obtaining needed raw materials. However, in November 1979 it was disclosed that Japan had been shipping such items as portable radio transceivers, high speed motor boats and large quantities of rubber wet suits to the North Korean government. This blatant export of directly



related military equipment to a "hostile" regime which poses a potential threat to the stability of the Korean Peninsula and indirectly to Japan itself, received scant mention in the Diet and disappeared from newsprint within two days of its appearance.<sup>25</sup>

Japan's reasons for maintaining its economic ties with North Korea in the face of severe fiscal uncertainties stems from its desire to prevent any large scale renewal of military conflict on the Peninsula in which Japan could become directly or indirectly involved as an offshoot of the Japan-United States Security Treaty. To further this objective, Japan has chosen to follow a two Korea policy wherein it hopes to be able to exert a moderating and restraining influence on both sides of the demilitarized zone so as to maintain peace and stability. In so doing it not only allows the Japanese government to control the divisions within the Japanese body politic over the Korean question, it also is useful for their promotion of an equidistance policy in international affairs.

#### E. THE REPUBLIC OF KOREA

The question of Japanese gray area technology transfers is particularly obtuse when the Republic of Korea is considered. Since normalizing relations in 1965, Japan has become South Korea's major trading partner and an important source of economic support. Japan accounted for 31



percent of South Korea's total trade in 1977 compared to 28 percent for the United States.<sup>26</sup> Japan also has become the major source of foreign investment in South Korea, funneling approximately \$500 million into the country in the first 10 years after the normalization of relations.<sup>27</sup> It was Japanese money therefore that provided the Park Chung Hee government with the foreign exchange necessary to rebuild its stagnating economy and set it off on the road to economic success. What is interesting in this relationship is that although there are deep cultural animosities and ethnic prejudices between Korean and Japanese, they have nonetheless been able to overlook them in the interest of mutual economic growth. The result of this arrangement has been an extensive flow of trade and investment from Japan to Korea both visibly through outright equity investments and less visibly by their unofficial control of South Korean enterprises through dummy partners and technical assistance or licensing agreements.

While there are no specific examples of outright gray area technology transfers recently from Japan to South Korea one cannot overlook the growing interdependence between the two economies. Money and technical expertise flows back and forth across the Tsushima Straits as Japan restructures its own economy in the face of changing market forces and as South Korea continues to expand its economic



modernization efforts. The result of this growing economic interdependence is that Japan has been a major subsidizer of South Korea's armaments industries. Therefore, while Japan still professes to follow the prohibitions against actual arms transfers it nonetheless provides extensive funding for the growth of the largest arms producing nation in the non-communist Asian world.

In view of the foregoing, it is apparent that there is a movement on the part of both the Japanese government and the Japanese business circles away from a strict interpretation of the thirteen year old ban on the exportation of armaments. Where it will ultimately stop will be determined by a multitude of factors which are impinging on the Japanese decision making process. Factors such as the economic recession, Soviet aggressiveness, Japanese economic competitiveness and not the least important, American leadership and diplomacy. The following section will look at how decisions allowing circumvention of the arms export ban are formulated within the Japanese government. In particular, it will address the importance of consensus politics in Japan and how this process impinges on the evolution of a new policy regarding future arms sales.



### III. CONSENSUS BUILDING

As noted in the preceding section, any prohibitive policy such as the "Three Principles on the Export of Weapons" is only as effective as the individual and agencies charged with carrying out that policy make it. This section will look at this aspect of the Japanese decision-making process paying particular attention to the consensus style politics. We shall seek to demonstrate that any modification or renouncement of the "Three Principles" will only occur after a lengthy period consensus development within the government, business and public sectors.

Whereas Article 9 of the Constitution was imposed upon a vanquished Japan as a means of ensuring that it would never again regain its military potency, the "Three Principles on the Export of Weapons" was a conscious policy decision taken by a Japanese government in 1967 in an effort to offset the fears in the world community of a Japan returning to a higher level of military capability and of its becoming a "Merchant of Death" and contributor to the war then raging in Vietnam. Japan in 1967 was enjoying the benefits of a burgeoning economy and anything that could upset the delicate balance that had been achieved in attaining this resurgence was to be avoided. This sensitivity to world public opinion remains as potent today as it was in 1967 and is the driving force behind the gradual



approach to change that is being pursued in Japan today.

The Japanese abhor any precipitate change in the status quo due to the disruptive societal influences that would normally flow from such an action. They therefore prefer change only after carefully orchestrated development of attitudes and opinions of the individuals involved away from the previous policy stance toward acceptance of the new policy. By virtue of such an orderly process "face" is preserved and societal disruptions are kept to a minimum. In view of Japan's vulnerable position in the World order of nations both economically and militarily, such a gradual form of change with regard to its arms transfer policies is the only option open to it if it is to maintain a facade of neutrality in world affairs.

#### A. SOCIOLOGICAL AND HISTORICAL FOUNDATION OF JAPAN'S CONSENSUS STYLE POLITICS

The consensus building process in Japan is part of the political tradition of the country that evolved over centuries and has been perfected since Meiji times. Open confrontations are to be avoided in Japan so as to reduce risks, save "face" and to insulate the government, political party or other organization or person from potential criticism or attack. The Japanese have demonstrated a proclivity for extensive behind-the-scenes maneuvering, initial sounding out processes, a penchant for meticulous



planning and a conspicuous distaste for premature commitment. They prefer pragmatic, low risk situations and approaches to particular subjects, especially in regard to the usually volatile defense issues, and prefer, if at all possible, to stack the deck in advance to guarantee success by creating situations of strength through various preliminary arrangements leading to the presentation of a fait accompli.

In support of such tactics, the Japanese use a building block approach that begins by a discussion of a limited range of subjects followed by a mobilization of public opinion both internally within Japan and externally if the subject has international overtones. Since the beginning of modern Japan in the mid-nineteenth century, there has been a dread of interference from more powerful countries. The Japanese, especially since the end of World War II, are extremely sensitive to foreign public and governmental opinion or to direct power confrontations, any one of which could have disastrous consequences for their highly vulnerable economic system. For this reason any change in the status quo, especially in regard to the liberalization of the arms export ban, will be taken gradually in a step by step, building block approach, until consensus on the part of the Japanese public is fully obtained and world public opinion is sufficiently assuaged so as to preclude any adverse impact on its economic lifelines.<sup>28</sup>



The effort by the industrial and business community to develop a consensus about reversing the "Three Principles on the Export of Weapons" began in earnest in late 1975 and early 1976. Hard hit by the recession in both overseas and domestic markets, the industrial leadership felt that the export of weapons could serve as a lubricant for increased sales particularly to the Middle Eastern countries. Tanabe Bunichiro, then president of Mitsibishi Corporation, Japan's biggest trading house, proposed that exports of "those which may not be 'pure' arms but are 'near' to them" should be allowed. Kono Fumihiko, former president of Mitsibishi Heavy Industries and then chairman of the Defense Production Committee of the Keidanren (the Japanese Federation of Economic Organization) also stated that the technology of arms production should be available for export. Finally, Taguchi Renzo, chairman of Ishikawajima-Harima Heavy Industries suggested that arms exports were a "strong inducement" for promoting exports of industrial plant to developing countries.<sup>29</sup>

Arguing further that the export of arms and ammunition would be just the tonic for the sluggish Japanese economy, industrialists at the time loudly criticized the government weapons embargo as "absurd and unrealistic".<sup>30</sup> Kono Fumihiko stated further that:

"Arms exports will enable Japan to obtain oil. Oil producing nations like Iran and Saudi Arabia want weapons rather than industrial plants. Japan



pays huge amounts of foreign exchange to oil producing countries to buy their oil but there's very little they want to buy from Japan. Japan is the only major industrial power which does not use weapons as a means of obtaining oil.

Arms exports are needed unavoidably to get oil... I think people in the opposition camp should agree with us because after all we're not going to be the Salesmen of death."<sup>31</sup>

Business leaders pointed out at the time that Japan had lost out in a number of lucrative international contracts because of its inability to export arms. The examples given included the loss of a \$324.7 million communications system contract in Iran to the US as a result of a US offered "package deal" which included badly needed arms and a similar defeat at the hands of the USSR in Iraq for a \$650 million thermal power plant.<sup>32</sup>

At the time that these first calls for liberalization of the export ban policy, the government of then Prime Minister Miki Takeo stated that it would not permit Japan to export arms as long as it was in power. Miki reportedly feared damage to Japan's international reputation as a peaceful nation that avoids taking sides in disputes. The controversy however, did not end at this point. As Richard Halloran pointed out in an article for the New York Times, the business community was the main source of political funds for Miki's conservative Liberal Democratic Party (LDP) and that "deliberations like this in Japan have a way of going on until a compromise and consensus was reached."<sup>33</sup>



## B. JAPANESE GOVERNMENT - BUSINESS RELATIONSHIPS

Before proceeding in my discussion of the observable manifestations of the gradual consensus building effort, a careful scrutiny of the interrelationship between the government and business community, as suggested in the Halloran article, is in order. To begin with, organized business has a long history of intimate involvement in the political life of Japan.

In 1952, faced with increasing political instability and fearful of the consequences if a socialist government were to be formed, the business community, as represented by the Federation of Economic Organizations (Keidanren), the Japan Federation of Employer's Associations (Nikkeiren), the Japan Committee for Economic Development (Keizai Doyukai) and the Japan Chamber of Commerce and Industry (Nissho), emphatically and unequivocally expressed their views to the government regarding the necessity for stability and order:

"Although a year has already elapsed since the regaining of independence, the firm establishment of an independent national economy is still far away. Unless a long-term policy is adopted and carried out vigorously, it could lead to a serious situation. Since a strong and stable government is needed to cope with the present crisis, the political parties should, in as much as there is no great difference among them in their basic policies and objectives, eschew emotion, discuss issues frankly, and cooperate in bringing about a stable political situation."<sup>34</sup>

Large amounts of financial contributions began to be distributed to the party organizations and individual



politicians in order to bolster the chances of the conservative merger. The Zaikai leadership, as the top executives of the aforementioned business organizations are referred to, were determined that organized business should assume responsibility in advancing the healthy development of the national economy. Soon after the formation of the LDP in November 15, 1955, the Zaikai further clarified what they expected of the new LDP, and also that of the largest opposition party, the Japan Socialists. They called for the stabilization of the political situation, and the achievement of economic independence and economic viability.<sup>35</sup>

In the 10 year period following the merger of the equally conservative Liberals and Democrats, the business community exercised an enormous amount of coercive power over the governmental apparatus mainly as a result of their extensive financial support. The power of life and death over the government was never so strong as it was during this decade in that it was an accepted fact that no candidate for the premiership could be successful without the tacit, if not expressed approval of the business community. Nor could a Prime Minister long continue in his post after he had lost the support of organized business.<sup>36</sup>

Unlike the old zaibatsu of the prewar days the new post-war big business structure is composed of enterprise groups. These groups are of two kinds: those organized around the



former zaibatsu and using the old names (Mitsubishi with 38 separate corporations and a research institute; Mitsui with 22 corporations; Sumitomo with 15 corporations) and those held together by large banks (Fuji, formerly Yasuda; Daiichi; and the Industrial Bank of Japan, through which the enterprises in both groups manage their financing).<sup>37</sup>

These groups are not monopolies, at least not so as the word "monopoly" is understood in the West. They are instead horizontal groups of companies, each containing many and varied types of companies and industries as well as a bank, a trust company, insurance companies, a trade company and a real estate company. Member companies tend to compete with other companies external to their group and to cooperate with those that are internal. Policy coordination is generally accomplished through president's clubs, which meet periodically.

Another contrast between the pre- and the postwar zaibatsu is that none of these groups has a holding company at the top to control the various enterprises. There has been a re-concentration of economic power but the present setup is very different from the setup before the war in structure and operation. Groups are held together by interlocking directorates and corporate stock ownership, as well as by inter-personal ties through president's clubs and other organizations.<sup>38</sup> In order for the zaikai therefore to



be able to present a united front on issues and problems in their relations with the governmental apparatus, the co-operation of the four key organizations (Keidanren, Hikkeiren, Keizai Doyukai and Nissho) has been indispensable in achieving consensus amongst the member groups.<sup>39</sup>

The political influence of organized business has, however, diminished somewhat, beginning with the arrival of Sato Eisako as Prime Minister in 1964. Sato diversified his power base and successfully reduced the former stranglehold over politics which the organized business community had previously enjoyed. Their influence was further diminished by Sato's successor Tanaka Kakuei, a selfmade millionaire and professional politician who had succeeded with minimal aid and assistance from the big business clique.

Yet another major factor contributing to this decline in influence was the fact that Japan's position as the third largest economic power in the world in terms of GNP had created enormous pressures on the government that conflicted with business interests. International pressures for greater and faster liberalization and for "orderly marketing" and domestic pressures for improving the quality of life rather than simply expanding the size of the economy are testing, for the first time, the capacity of the Japanese political and administrative system to respond effectively to conflicting demands.<sup>40</sup>



Although the power of the business community over the government has been somewhat diminished it still remains one of the prime factors in the determination of policy. One of the most striking features of the LDP is the extent of its dependence on big business contributions for its financial support and the degree to which the sources and amount of that support are hidden from public view. In a society that traditionally has its own norms of exerting influence, it is noteworthy the extent to which extensive illegal financing of the political activities of politicians and political parties has become an integral part of the political system. In the case of big business' political contributions there is an apparent trend away from efforts to coordinate business contributions and an increase in the development of ties between individual factions and particular business conglomerates. Rather than reinforcing an image of Japan, Inc., such a trend threatens to revive in a new form a pre-war funding pattern in which conservative political parties received support from different large business enterprises.<sup>41</sup> This extensive financial backing arrangement has reinforced the marriage of convenience between business and politics in Japan. The main business of business is politics and vice versa, in that politicians, if they are to continue their career in politics must be concerned with economics.



### C. EFFECTS OF JAPANESE "BATSU"

Interconnected with this symbiotic relationship between big business and politics is another unique Japanese social system, that of the "batsu" or cliques. It is within this system that the modern Japanese version of the Confucian "oyabun-kobun" concept or parent-child relationships exist. Virtually all Japanese are connected in one way or another with several batsu. The more important of these in relation to the defense issue are the pre-war, gumbatsu or military cliques and zaibatsu or business cliques, known in the post-war era as zaikai; the kanbatsu or bureaucratic cliques; the gakubatsu, or school associated cliques, and the regional affiliations such as the Kyodo batsu, like the Gumma Prefecture clique which includes Fukuda Takeo and Nakasone Yasuhiro. Finally there is the keibatsu or family associated cliques.

Within these cliques functions the vertically oriented Japanese society in which the concept of "giri" is all important in the conduct of personal relations. Giri is a form of moral and personal debt owed to someone else for favors received and it is a social custom which can function both up and down the hierarchical structure of Japanese society. All of these cliques form part of the basis of the execution of power within the political structure of Japan.



The businessman and the politician can be connected through family ties (keibatsu), school ties (gakubatsu), or regional affiliations in any one of which a debt of giri may be owed which some day will have to be paid. In order to demonstrate what such a system means I have included as Appendix D an outline of some of former Prime Minister Ohira Masayoshi's connections in the political and business world. Without the support of these connections it is doubtful that Ohira could have functioned effectively as Prime Minister. It is within this clique system that the Japanese lobby system functions to influence the outcome of policy decisions and it is therefore within this system that the success or failure of the consensus campaign for loosening the restrictions on the exportation of weapons will be won or lost.

With this then as a background to the political environment it is clear that there is a multiplicity of actors within the Japanese political system which can have an impact on the outcome of this debate and therefore prudence dictates that the process begin slowly and cautiously so as not to offend those opposition and internal elements fearful of a return to pre-war militarism nor to offend the vox populi themselves. As Professor Robert Scalapino has noted:

"Japanese politicians have become, for better or worse, public-opinion minded. To the extent that pollsters reports are becoming a major source of the



policy-maker's knowledge about public opinion, it may be reasonably assumed that the people's voice, as reflected in the polls, is affecting the decision-maker's perception of important policy issues and their assessment of feasible responses to those issues."<sup>42</sup>

#### D. CHRONOLOGICAL SUMMARY OF THE ARMS TRANSFER CONSENSUS BUILDING PROCESS

Returning to Halloran's original thesis that deliberations have a way of going on until a compromise and consensus is reached, a review of the events since 1975 will demonstrate that the deliberations have in fact continued and are well on their way to fruition.

Soon after the collapse of Vietnam in 1975, interest in Japan's defense capability perked up. On 21 July 1975 an article appeared in the Baltimore Sun titled "Tokyo Arms Industry: Low-Profile Boom" in which the author, Matthew Seiden, noted that "Despite a Constitutional ban on maintaining armed forces and a government edict forbidding the export of military weapons, the unpublicized and little known Japanese arms industry has grown quietly into at least a billion dollar a year business." The author further remarked that "while the industry remains small and unsophisticated compared to that of the US and Soviet Union, it nonetheless was far better established than most foreigners or Japanese realized," and although limited at present to producing basically for the needs of the Self Defense Forces, the present technology level was sufficient to



provide the potential for drastically increasing the output of most items on very short notice.

The article states that in many cases, companies like Mitsubishi have simply reactivated their old wartime plants, often using the same employees who worked there before and during the war and that the arms producers have tried to avoid publicity by building plants in inaccessible places, using factories that also produce unmistakably non-military products, and labeling their military products with misleading euphemisms, such as Mitsubishi's title of 'Special Vehicles Division' for its tank production facility. The most telling parts in the article, however, were the public disclosure that Japan in 1975 made more than 90% of its own arms, a great deal of which is produced under license agreements. It also notes that the Japanese government has shown repeatedly that, rather than save money on bargain imports, it was willing to pay more for wholly Japanese made products that would make the country less dependent on foreign military supplies. Seiden then closed the article with a then unsubstantiated allegation that the Japanese arms producers circumvent the anti-exportation restriction and had actually sold helicopters, and other equipment for allegedly non-military, police or commercial use in Sweden, Thailand and elsewhere.<sup>43</sup>

The defense debate picked up once again in September 1975 during the visit of then Secretary of Defense James



Schlesinger to Tokyo. Schlesinger declared that Japan's Self Defense Forces (SDF) were inadequate and that they should be strengthened to share defense tasks more fairly with the United States. He noted that because of "aging equipment" and a shortage of ammunition and supplies, the SDF were incapable of fulfilling their mission to defend the Japanese islands. Schlesinger stated that the Japanese had been "too passive" a partner in the US-Japan Security Pact and that over the next few years the SDF should be expanded - especially in air defense and anti-submarine warfare.<sup>44</sup>

Following Schlesinger's visit, the debate in Japan widened from the purely defensive realm concerning how much is enough and how new should the SDF be, toward the general question of the anti-exportation ban itself. The first articles concerning this aspect were those by Halloran of the New York Times and Yates of the Chicago Tribune noted at the beginning of this section. By May of 1976 the controversy had spread further to include the American-written, postwar Japanese Constitution. In attempting to celebrate the first ever official Constitution Day with ceremonies marking the 29th anniversary of the document, only 700 of the 1000 invited guests showed up for the ceremony which lasted only 15 of a scheduled 30 minutes.<sup>45</sup>

The first actual governmental mention of a consensus building process occurred in August 1976 by the then



Defense Minister Sakata Michita who, noting that part of Japan's problem in trying to revise its defense policies had been a lack of public enthusiasm, stated that "one of my most important tasks is to get a national consensus on defense."<sup>46</sup>

The debate and consensus building process continued unabated through 1977, albeit at a somewhat quieter level. The major topic seemed to have been in reference to the American perception that Japan had been "getting a free ride" from the Mutual Security Treaty. It appears that 1977 was actually a watershed period in the Japanese defense policy debates.

With the steady reduction of the LDP's monopoly in the Diet, the opposition parties were forced to begin a reassessment of their previously unrealistic positions vis-a-vis the Security Treaty and the SDF. With the prospect of power in sight and an aroused public to placate, socialists and communists alike, began toning down their pacifist programs. The LDP meanwhile began taking a serious look at defense, reviewing the outdated approaches to operational planning and abandoning the ad hoc approach to planning which had deprived the SDF of the objectives and motivations essential to maintaining military efficiency in peacetime. The biggest political headache of the year, however, was the unfolding of the Lockheed bribery scandal,



which cast a pale over the defense issues, especially those relating to big business ties to defense production. The lack of data regarding the anti-exportation ban during this period appears to suggest that this subject was put on the back burner while awaiting the Lockheed affairs to die down so as to minimize any adverse public reactions thereto.<sup>47</sup>

In March of 1978, an editorial appeared in the Asahi Evening News which returned the arms export ban issue to the center stage. The editorial noted that Doko Toshio, then president of Keidanren and Nagano Chigeo of the Japan Chamber of Commerce and Industry (Nissho), had both made statements calling on the government for flexible implementation of the arms export ban. The Asahi paper noted that voices such as these were once again becoming stronger as a result of the prolongation of the recession and urged that the government and business community exert self-restraint so as to not endanger Asian peace in general and Japan's world reputation and respectability in particular. The editorial asserts that Doko and Nagano are not requesting the outright rescinding of the ban, but rather, a more flexible interpretation of the term "arms." "According to unified opinion" says the article, "arms are those thing used by the armed forces and used directly in fighting." In more concrete terms, this means guns, cannon, ammunition, explosives, military vehicles, military ships and their



parts, as stipulated in the separate list of the Export Trade Control Ordinance.

However, on the basis of this list it is difficult to judge whether ships and trucks which do not carry weapons are "arms." Faced with a "structural recession" and prospects of widespread unemployment, shipbuilding unions have demanded relaxation of the ban, taking the view that such non-combatant vessels as survey ships and icebreakers should not be regarded as weapons even if they are used as part of a naval fleet.<sup>48</sup>

According to the editorial, the official policy stance of the Ministry of International Trade and Industry (MITI) is that when an export request is received it has no alternative but to judge each case according to the importing country, use, structure and performance. In conclusion, the article once again lamented that they fear that once the brakes are removed, there is the possibility that the interpretation will be expanded without limit, saying next that defensive weapons are alright or that transport means are okay.<sup>49</sup>

Closely following this editorial was another contained in Mainichi on 19 March 1978 which noted that the campaign was being spearheaded in the Kyoto-Osaka-Kobe (Kansai) area by the Kansai committee for Economic Development and the Kansai Economic Federation and that a study committee had



been established in 1977 to carefully feel out public opinion. Assured that they were on safe ground, about 250 influential business leaders went at the subject of defense head on in an open discussion at their annual convention led by the Federation's president Hyuga Hosai, the chairman of Sumitomo Metal Industries. Buoyed by the then Prime Minister Fukuda Takeo's first mention of defense in an opening session of the Diet in late January, Hyuga noted that the first step to be taken should be "to try to draw a picture of what our national defense should be, by discussing the problem in public." The article further states that, although the defense problem had been viewed from many angles, such as education, the free enterprise system, the behavior pattern of the Japanese and patriotism, the dominant feeling in the business community is that a strong defense capability is vital to protect the free trade system.<sup>50</sup>

Increasing Russian aggressiveness in Northeast Asia, and the announcement by the Carter Administration of its intention to stage a phased withdrawal of troops from the Korean Peninsula heightened a feeling of anxiety within Japan over its defense capabilities in respect to protecting the home island. This facet of Japan's dilemma regarding its armaments policies will be treated in a later section. Suffice to say at this point that the anxieties caused by external developments has raised the level of the



debate internally. This level was also further increased by the publication of various articles in the press and magazines directed against the Soviet Union, articles urged on by business interests eager for more defense spending. For example, the Tokyo Shimbun speculated that the only foreign power that could mount a naval invasion of Japan was the Soviet Union, and that if it did so, its forces would land on the northern beaches of Hokkaido. Yomiuri Shimbun reported on its front page that officials no longer believed the United States had the power to defend Japan. The Director General of the Japanese Defense Agency at the time, Kanemaru Shin, even speculated before a seminar at the Keidanren that Japan had nothing more than bamboo spears against machine guns.<sup>51</sup>

By virtue of the increasingly open dialogue in the Diet, the level of awareness and acceptance on the part of the Japanese people was increased substantially on the subject of Japan's military forces. This has also had a visible effect upon the SDF itself in that the leadership is becoming more and more aggressive in its demands as spending on defense increases. The military has slowly emerged from the background and are becoming more and more comfortable in their place in Japanese society. They seem to sense a renewed respectability and are therefore beginning to assert themselves more forcefully in stating their position on defense issues, such as operational procedures, combined



arms training, increased at sea training between the Maritime Self Defense Forces (MSDF) and USN units based at Yokosuka and most recently, by participating for the first time in the annual RINPAC exercises with the combined naval and marine units of Canada, the United States, Australia and Great Britain.

The major event of 1978 however, was the signing of the Sino-Japanese Peace and Friendship Treaty after six years of patient negotiation. The results of this treaty were aptly described by John Roche of the Washington Star when he wrote:

"Symbolically, Japan has once again launched herself as an Asian power after living with the myth of 'Trilateralism,' with the illusion that she, the U.S. and the EEC had a supra-regional common interest.

When the Soviets protested Japanese acceptance of (slightly camouflaged) 'anti-hegonism,' the latter in essence replied that they took this pledge at least as seriously as the Russians did Helsinki's human rights guarantees!

In other words, for better or worse, the Japanese have not forgotten how to play hard ball, and the thought of 900 million intelligent, mobilized Chinese working in tandem with Japan's superb technological assets must terrify the Kremlin."<sup>52</sup>

The political and economic ramifications of this treaty for Japan are immense and have been enhanced even further by the normalization of relations between the United States and China and the ascendancy of the moderate, pragmatic element within China, led by Deng Hsiao Ping who are dedicated to the modernization of China. It is in this area of



Northeast Asia that the arms producers and industrial giants have concentrated their efforts in whittling down the parameters of the arms export ban.

The consensus building process on the overall question of the acceptance of things military continued into the 80s in Japan in a very visible way. The taboos concerning public discussion of the topic have disappeared as more and more people become aware of Japan's vulnerable position in the world and as renewed nationalism begins to develop as a result of external pressures against Japan's cultural homogeneity and distinctive operating style in the international arena. Feelings of stress are once again being felt and appropriate adaptive and coping responses are once again being actively sought. The following section will look at the historical foundations of Japan's defense industries and their reactions to both external and internal pressures to determine whether there are any traditional response patterns common throughout their historical experiences which might be useful in assessing the direction which future responses and policies could take.



#### IV. HISTORICAL FOUNDATIONS OF JAPANESE INDUSTRY

"Threats are anticipations of approaching harm that trigger feelings of stress that lead to responses generally known as coping or adaptive behavior."<sup>53</sup>

The Japanese armaments industries are not separate and distinct businesses which function independently within the Japanese industrial complex. Rather, they are on the whole, subsidiary entities of the larger pre-war zaibatsu and post-World War II trade conglomerates and therefore any discussion or study of these industries must necessarily consider the overall milieu within which they must operate.

One of the important characteristics of this Japanese industrial structure that must be continually kept in mind is that Japan is an Asian country, with an Asian psychology, operating in a predominantly Western political and economic environment. Although Tokyo may outwardly resemble such Western metropolises as New York, Chicago and London, beneath the surface lay centuries of Asian traditions and biases which interact with latter day Western influences to produce the Japan of today.

One of the most striking elements of the Japanese tradition is its sense of cultural identity, a feeling of uniqueness which they consider sets them apart from both Western and other Asian societies. It is this same sense of uniqueness and separateness that is acting upon the Japan of 1980



that acted upon the Japan of the 1840s. There is again a sense of threat being felt among the Japanese populace which, as the quotation above suggests, is "triggering feelings of stress" that will lead to further adaptive responses by the Japanese leadership.

The lessons of Japan's history since the overthrow of the Tokugaw Shogunate have not been lost on the modern Japanese and indeed there are striking parallels which can be drawn, and which must be considered, when assessing the future of Japan's armaments industries and their potential for future exports.

The evolutionary history of Japan's defense industries begins in the pre-Meiji era and with the subsequent Meiji reform policies which were designed to raise Japan to a level of equality and modernity with the Western world while at the same time maintaining control of their cultural and political destiny. The Meiji policies of industrial promotion and import protection were so successful that Japan was able to prevent the ravages of its economy and people like those that befell China, thereby enabling it to become a major world power within the short span of only 50 years.

The Japan of 1980 is again faced with threats to its existence in the areas of raw materials and energy resource availability; an increasingly aggressive Soviet Union that



flaunts its might in menacing gestures on Japan's periphery; an unstable Korean Peninsula and perceptions of a weakened United States, Japan's main ally and source of strength and protection since the end of the Great East Asian War in 1945. Added to these external fears are the leadership changes within Japan's ruling Liberal Democratic Party (LDP) and the economic recession and inflationary trend which is affecting the lives of its people and threatening the success and achievements that have marked Japan's history since the overthrow of the Tokugawa Shogunate in 1868.

A review of the parallels between the Japan of 1980 and the Japan of the late 1800s therefore is considered essential in order to draw inferences regarding potential future moves by the Japanese leadership to cope with these current "threats" to Japan's existence.

#### A. THE TOKUGAWA LEGACY

In 1842 when the precedent of the impact of the West on China became visible in Japan, Japan was an isolated island chain closed off from the rest of the world for over two hundred years. The ruling Tokugawa Shogunate had been so successful in their policy of isolation that Japan had all but dropped out of the consciousness of the Europeans, the only important exception was the annual Dutch vessel from the East Indies to the Dutch trading post on the island of



Deshima in Nagasaki harbor. As a result of increased Western activity along the Chinese coast, particularly in the form of New England whaling ships, attention was once again drawn to Japan and demands began to grow in the West that Japan open its doors to Western commercial and diplomatic contacts.

During the isolation period before 1848 the Tokugawa Shogunate had unified the country and had turned it into a feudal state utilizing Confucian philosophy as its ideological basis. The policies of the Tokugawa Shoguns were designed to maintain the status quo that existed, and, although they could not totally prevent change in Japan, they did succeed for over two centuries in preserving a cast-bound legal and political framework of Japanese society. The most important aspect of Shogunal rule however, was the fact that they were successful in maintaining the peace.<sup>54</sup> A succinct description of Japanese society in 1856 was provided by Townsend Harris when he arrived in Japan as the first Consul General of the United States. In his diary he aptly observed the condition of Japanese society as one where the proverb 'move not that which is still' was being faithfully observed.<sup>55</sup>

Three major factors however, emerged from this period of self-imposed isolation that were to have profound effects on Japan's later modernization efforts. First, Japans culture and sense of national identity had been



strengthened by the minimization of foreign influences and over two hundred years of peaceful coexistence. Second, a strong tradition of centralized government had been established by the Tokugawa Shoguns when they consolidated their rule. Third, an active and wealthy merchant class had evolved around the Shogunal center of power at Edo (Tokyo). This merchant class had been tacitly accepted by the ruling Samurai and Daimyo and had thus achieved grudging social respectability, and no small amount of political power, as a result of increasing court debts. It was a combination of this merchant class and some unusually entrepreneurial Samurai that would emerge as the driving forces behind Japan's modernization efforts during the latter half of the 19th Century.

Although the Japanese had shut themselves off from the world, they were by no means oblivious to the events which were occurring in China and the rest of the world. By utilizing the Dutch "window" to the West, the Japanese leadership watched with interest and alarm the unfolding of events in and around the Chinese mainland. Up until this point the Japanese leaders had remained committed to the traditional policy of isolation and they opposed any capitulation to what seemed to them to be affronts to Japan's national dignity. Now, however, the question of whether to open Japan's "doors" in the face of increased Western pressure became the central issue confronting the Japanese



leadership and which subsequently led to the downfall of the Tokugawa Shogunate.

The Japanese came to feel that their independence was being threatened. This was a way of thinking, not in terms of their personal family or clan, but in terms of the "national family." The maintenance of their independence had become their most important national purpose.<sup>56</sup>

As a result of this concern, the period between 1842 and the downfall of the Tokugawa Shogunate in 1868 was marked by bitter confrontations among the ruling Daimyo about how to respond to the Western incursions so as to preserve Japanese independence against the threat of Western domination. It was clear to observers that foreign naval power was too strong for Japan to resist. To Westerners at the time, Japan's position seemed extremely precarious. Divided among more than 260 autonomous feudal regimes, and united only under Shogun whose authority and power were fast disintegrating, Japan seemed ill prepared to respond to the challenge of the more modernized Western nations; its pre-industrial economy was no match for European machine production and its small islands were pathetically exposed to Western sea power. The determining factor, however, lay in the emergence of a small group of nationalistic, low level samurai, who put aside their ideological differences in their drive to raise Japan to a level of equality with the West. To achieve their objective, these samurai ousted the Tokugawa Shogun,



re-established the Emperor as the source of all authority and instituted their own version of "ruling from the shadows."

#### B. MEIJI 1868 - RAPID INDUSTRIALIZATION

The Meiji samurai leadership began their rule in 1868 with a markedly different outlook toward government than their immediate predecessors. Although reared under the tenets of Confucian philosophy they were nonetheless able to overcome the political limitations of that philosophy so as to be better able to meet the challenges of an encroaching West. These samurai began their rule with a definite idea of where they were and what they wanted to do. In the words of Dankwart Rustow, they started with a "frank assessment of its (Japan's) particular liabilities and assets."<sup>57</sup> Japan was to be modernized and strengthened through the use of Western knowledge, because the only defense against the West lay in the creation in modern form of the ancient Chinese ideal of a "rich country and strong military," a form which they felt could only be achieved by the absorption of Western technology.<sup>58</sup>

The success that followed the Meiji Restoration of 1868 can best be illustrated by a few statistics calculated from the publication "Hundred-Year Statistics of the Japanese Economy" as contained in Tsurumi's monograph "Japanese Business" and from Japanese Federation of Economic



Organization (Keidanren) statistics on the Japanese economy for 1980. During the period from 1868 to 1977, the population of Japan increased from 34 million to 114.9 million people. During this same period, the life expectancy of the Japanese grew from 42 years to 72.7 years for men and from 44 years to 77.9 years for women. The cultivated area in Japan however, was increased by only 20%, and the total food harvest of Japanese agriculture was merely doubled. The Gross National Product (GNP) in real terms on the other hand increased approximately 50-fold from 1868-1964. During the same period, the contribution of the manufacturing and construction industries to the GNP increased from a meager 8.4% to 39% of the GNP.

In parallel with these trends, the employment structure also changed. In the 1870s 83% of a work force estimated at 19 million was engaged in agriculture and forestry. In 1964, of the estimated 47 million gainfully employed, only 27% was engaged in agricultural activities and in 1977 only 11.9% were so engaged. All these statistics indicate that the manufacturing industries and the modern service industries that have been added to the Japanese economic structure since 1868 have absorbed the bulk of the increased population and have enabled Japan to provide its people with a higher level of material well-being.<sup>59</sup> (Appendix C provides the current employment statistics for Japan's working population).



Japan's industrialization since 1868 has been made possible to a great extent by the accelerated accumulation of manufacturing technologies. Piecemeal but continual additions of new industries helped Japan sustain the tempo of industrialization during the decades following the fall of the Tokugawa. As noted earlier, these modernization efforts were aided by governmental initiative, that is, the government after 1868 took the lead in transplanting modern manufacturing industries deemed essential to Japanese growth and then provided tax benefits and other material incentives such as tariff protection and import quota arrangements to any enterprising Japanese who was willing to take over and develop the infant industries.

#### 1. Foundations of Japan's Defense Industries

The foundations of Japan's defense industries were begun during this period of great cultural upheaval and social change. Mitsubishi, Kawasaki and Sumitomo were some of the companies that were founded after the Meiji Restoration by former samurai warriors - imaginative, aggressive entrepreneurs who took advantage of the "hothouse" capitalism policies of the Meiji government to rapidly expand and enlarge their holdings and subsidiary companies until they combined to form the huge, family structured conglomerates that played important roles in Japan's later historical experiences. The Mitsui combine actually predated the Meiji Restoration and was already an important



banking and merchandizing firm when the coup was effected.<sup>60</sup>

Following the fall of the Tokugawa, the House of Mitsui (owners of Ishikawajima-Harima Industries, a major defense contractor) provided valuable expertise and resources toward the building of the new Japan. It responded to the calls of the Meiji government and furnished desperately needed funds for its operations. As the government's fiscal agent, it received deposits, disbursed funds, handled trade and even issued its own paper currency, since its credit was then better than the government's. It was no accident therefore, that Mitsui was regarded as the de-facto Ministry of Finance of the Meiji government until the establishment of the Bank of Japan in 1882.<sup>61</sup>

The defense industries in particular also predated the Meiji movement in that they began in the period following the Opium Wars in China as an attempt to create the necessary defenses to cope with the perceived dangers emanating from the Western powers then growing more and more assertive in the Northeast Asian region. The news of the war and its aftermath forced the Tokugawa government and the feudal rulers of the local Provinces to embark on crash programs to found manufacturing operations immediately related to national defense, notably the building of warships and the production of firearms and ammunition.



The formidable problem facing the Daimyo was to expedite the absorption of the basic scientific knowledge underlying the manufacturing technologies of firearm and ammunition. The initial requirement was to obtain individuals who were knowledgeable in the engineering sciences relevant to the manufacture of these defense items. It was desired that they would, in turn, organize indigenous craft skills for new manufacturing operations. The immediate need for manufacturing firearms for national defense was so overwhelming that engineers and policy makers alike relied on technical information contained in standard handbooks of Dutch origin instead of trying to build up their own technologies from the less advanced state of their sciences.<sup>62</sup>

In 1846 and 1850 the Tokugawa government sent a coastal defense order to the local Domains commanding them to construct forts at key coastal points. This immediately increased the demand for cannon and resulted in a significant rise in the price of bronze which soon put the cost of producing the needed cannon well beyond the financial means of the makers of bronze cannon. The shortage of bronze and the urgent need for cannon led warrior-engineers to seek a substitute for bronze. Four samurai engineers of the Saga Domain thereupon set out to study the Dutch technical works on the construction of iron cannon. From 1847 to 1850



these engineers translated the Dutch texts and experimented with the making of pig iron and casting and the use of a reverberatory furnace.

Using locally obtained raw materials such as white iron pyrite, charcoal, clay for firebricks, and sand for casting molds they set about to produce their own Japanese style iron cannon. After 16 failures during two years of trial runs, the Saga Domain was able to produce iron cannon successfully. By 1853 Saga had accumulated sufficient engineering experience to meet the Tokugawa government's purchase order for 200 cannons per year.<sup>63</sup>

Following its success with iron cannon, the Saga armaments industries branched out into steamship construction, percussion rifles and improved versions of the flintlock musket. At the same time, Saga's military training was revised to make better use of weapons made in Japan. Saga's military superiority by 1868 was so distinctive that it was invited into the military alliance against the Tokugawa government in 1867 as one of the four major Domains of the Alliance, the others being Choshu, Satsuma and Tosa.

Armaments and militarily important industries were in fact, the number one preoccupation of the reformers in the post restoration period after 1868. Primary emphasis was placed on the development of such heavy industries as munitions and shipbuilding and numerous coal, sulphur and



metal mines were opened and operated by governmental initiative to support these infant industries. Transportation and communications networks were also expanded during this period with an eye toward their military value. All of the industry building and modernization policies pursued by the Meiji government required vast amounts of currency to pay for the imported technologies and it was during this period that the previously discussed links between the government and business communities in Japan were originally forged. It is no exaggeration to say that without the extensive support and financial backing of such commercial houses as Mitsui and Mitsubishi, there would have been no industrial revolution as experienced by the Japanese in the years between 1868 and 1914.

Japan's military might proceeded as its military industrial complex grew in furtherance of the objectives of the samurai bureaucrats of the Meiji regime for a strong national state able to defend and assert itself in the arena of world politics.<sup>64</sup> The long term strategy for national modernization devised by this leadership group was followed meticulously, patiently waiting for the right strategic moment, biding time, bowing when necessary to superior force, but always moving forward toward strength and equality with the West.



The moment for emergence as a major regional power came in 1894 when the opportunity to expand the Empire into the then raw material rich Korean Peninsula presented itself. Politically the 1894-1895 war with China reinforced the power and prestige of the ruling oligarchy for another generation, winning unified support for Japan's aggressive entry into the arena of Far East imperialism.

Economically, it exerted a stimulus no less immediate and far reaching in its consequences. Arms expenditures accelerated the upswing in prices already underway. New banks and small industrial and trading concerns mushroomed. Military requirements doubled the merchant marine in two years and led to an acceleration of the growth of the Japanese shipbuilding industry to the extent that Japan was able to almost halve its dependence on foreign carriers for its export trade. Finally, a boom developed in numerous war supply producing industries.<sup>65</sup>

Despite the Triple Intervention by Russia, Germany and France to limit Japan's gains from its victory over the Chinese it was nonetheless able to secure a hold on Korea, an indemnity from China of £38.4 million and an end to Japan's "unequal treaties" with the Western powers, thereby freeing Japan from all foreign interference in its internal affairs. From this point on Japan energetically pursued imperialist policies in the Far East designed to expand the Empire, secure important sources of raw materials for its



steadily growing industrial sector and provide a strategic buffer area around the home islands for protection against the Western powers.

Japan's defense industrial capabilities grew apace with these imperialist policies and subsequently enabled Japan to precipitate a war with Russia over the right to dominate and exploit the Korean Peninsula. Japan's easy victory over Czarist forces cemented its hold on Korea but more importantly, it gave Japan rights to all Czarist economic privileges in South Manchuria.

The expansion of the Japanese Empire at this point was not without its problems however, as a glance at the government's finances for the period will show. Because of the strain imposed by heavy expenditures for war and armament expenditures of the national government tripled from 1893 to 1903. They reached 289 million Yen in 1903 alone - no small sum for the time. Again, they more than doubled in the course of the Russo-Japanese War. With the Army and Navy now expanded, and with new commitments in Korea, they remained from 1909 to 1913 just under 600 million Yen per year.<sup>66</sup> To pay for this large scale increase taxes were raised and government monopolies created over high demand commodities such as sugar and tobacco. However, this was not enough and extensive borrowing was required in order to finance their imperialist actions. The result of this



financial burden was an increasing national debt, balance of payments deficits and a rapidly spiraling inflationary cycle.

Just as Japan seemed near the end of its financial rope, the whole situation changed. War had broken out in Europe. By 1915 orders began to pour in for Japanese goods, for its shipping and for other vital services needed to prosecute the war. Almost overnight the country began to reap huge profits in its international accounts resulting in a boom for its trade and industry which brought unprecedented financial prosperity.<sup>67</sup>

The advent of the First World War thus saw the completion of Japan's metamorphosis from a backward feudal state to a level of relative equality with the foreign powers active in the Northeast Asian region. The goals of the Meiji samurai were being achieved faster than had originally been imagined due to a combination of the innate Japanese propensity to work together for the good of the nation and their ability to rapidly assimilate Western technological advances, modifying as necessary to meet Japanese requirements. By taking advantage of external political opportunities, the Japanese leadership had shown itself capable of successfully translating their internal power potential into an international power position. The Japanese entered the 20th Century confident of their abilities, proud of their achievements and eager to assume



a leadership role commensurate with their newly gained power and prestige in the region.

### C. THE INTERWAR PERIOD 1914-1937

Japan's high hopes for its acceptance as an equal partner with the Western community of nations was soon destroyed however, in the aftermath of World War I. A combination of factors caused by the upheaval of the war worked against the Japanese in their national drive for equality. The first factor which influenced Japan was the recessionary trend that soon followed the armistice. Second was the rise of racial discrimination particularly on the part of the United States toward Japanese immigration and business. The third factor was the growth of protectionist measures in international trade which were directed against Japanese goods; and finally, there was the fact that political change had taken place only on the surface of the Japanese population. Liberal democracy in the 1920s was poorly understood by the people themselves and never established roots. The domestic pressures caused by the other three factors resulted in the rebirth of Japanese militarism and a reemergence of imperialist policies in the 1930s.

#### 1. Economic Effects of World War I

World War I provided the second surge in the growth of Japan's industrial revolution, particularly in regard to



its strategic industries. Because Japan was at war only as a result of its alliance with Great Britain, Japan limited its actual fighting to the Asian mainland while at the same time taking advantage of the economic benefits that arose out of the conflict. The Allies began placing large orders for Japanese munitions and other war related materials thus spurring the growth and expansion of the defense industries. Neutral countries, especially those of the Far East, turned to Japan for goods formerly supplied by the industrial nations now involved in the European War. Japan's shipping industry alone had a growth in net income from 41.2 million Yen in 1914 to 381.4 million Yen in 1919.<sup>69</sup> By almost any standard, the war years witnessed a significant advance in Japan's productive capacity, foreign trade position and technical maturity.

The economic boom created by the war lasted for only a year after the armistice at which time the wartime spiraling inflation rate reversed itself into a period of deflation and readjustment. Because of the vast foreign exchange generated during the war years, Japan was able to recover rather quickly but recovery brought with it the problem of finding peacetime economic opportunity for its rapidly growing population. Added to this market problem was the financial instability which then plagued the world economic community and which resulted in the collapse of the gold standard and the depression years of the late 1920s



and early 1930s. Japan in the 1920s thus found itself reaping some of the disadvantages of industrialism - dependence upon an unstable world economy, growing class conflicts and social strains and all the difficulties that go with the maintaining growth and equilibrium in an industrial economy. Japan was faced with a choice between two options: it could continue to expand its empire through military conquest, as had been done so successfully in the years immediately before the war or it could adopt the policies of political and economic interdependence and interantionalism that were then coming into vogue in an effort to counter the economic effects of the war's aftermath. Japan obviously needed foreign markets to pay for its huge imports of raw materials required to support its expanding economy and therefore it had to choose between one or the other options in that any combination of the two would not be an acceptable policy vis-a-vis Japan's national interest.<sup>69</sup>

The problem was of particular urgency in China where Japan had recently become the dominant external power best able to take advantage of China's weakness. The Japanese had growing population problems which required a safety valve release area to defuse potential internal problems which could result from an inability to provide sufficient amounts of cheap food and job opportunities. Also, North China or Manchuria held a huge store of vital



raw materials for the Japanese industrial machine. The situation in China however, was changing. The Chinese people with a newly awakened sense of nationalism, were beginning to boycott foreign merchants whose governments were considered to be pursuing an aggressive policy against their country. The result of this situation meant that military intervention in China cost the double price of lost markets and increased military expenditures.

Japan's post WWI leadership chose to follow the road of peaceful trade rather than imperialist expansion. The politicians and businessmen, supported by the general public, opted for this course, and the bureaucrats and military were induced, with misgivings, to go along.<sup>70</sup> As a result of this decision the Japanese military system was cut back and further expansion of war related industries was deemphasized as the government shifted its attention toward capitalizing on its comparative advantages in the civilian industrial sector. This policy preference served Japan well in the first half of the post WWI decade however, as the worldwide economic strains worsened so did Japan's ability to compete on an equal footing with the West.

## 2. Racial Discrimination

The first sign of international discord was the rise of racist legislation in the United States directed towards the Japanese. The seeds of this problem were first



sown at the Versailles Peace Conference when the Australian delegate successfully thwarted the adoption of a Japanese proposal declaration regarding the principals of racial equality. The Japanese were particularly insulted by this action and it was not forgotten by the ardent nationalists then emerging in Japanese society. Many of these individuals saw collusion on the part of the United States over this issue and rumors of a Japan-American war were heard throughout Tokyo. Resentment against the United States during this period stemmed from a number of reasons: American opposition to the twenty-one demands against China and Japan's continued presence in Shantung; American immigration policy designed to eliminate and/or restrict any further entry of Japanese nationals into the country including the alleged role in "defeating" Japan's efforts to have a "racial equality" clause written into the Covenant of the League of Nations. Finally, there was resentment over the American opposition against Japan's military occupation of portions of Siberia and northern Sakhalin.<sup>71</sup>

### 3. Economic Protectionism

By 1925 Japan's population had reached 60 million and was growing at the rate of 1 million per year. Because of this, it was becoming increasingly dependent on imported food and raw materials and foreign markets to pay for these imports. As previously noted, emigration offered no solution to the population problem, because the



relatively empty lands, such as the United States, Canada and Australia, barred Japanese immigrants. Most importantly though, because of the worsening economic situation, protectionist measures were being erected by the West against the cheap industrial exports of Japan thereby barring Japanese trade with the Asian and African Empires of the European powers.<sup>72</sup>

As a result of these protectionist measures, Japan was forced to look to its own colonies for survival. The Empire had to be developed so as to supply the home islands with growing amounts of food and raw materials. In addition, the rise of these barriers to trade aroused further fear and resentment among the Japanese and provided further incidences for the rising nationalist movement to utilize in their drive toward a goal of a self-sufficient empire. Yet, by 1936, Japan depended upon overseas sources, foreign or colonial, for 20% of its net supply of rice and beans, 35% of its fats and oils, 60 to 80% of its iron and steel, 90% fertilizer and 100% of its cotton, wool and rubber.<sup>78</sup>

#### 4. Rebirth of Militarism

The internal pressures caused by these external factors resulted in an agitation of Japanese society which culminated in a reversal of the trend toward Liberal democracy that had begun in the early twenties. The authoritarian heritage of the Japanese with its emphasis on solving problems through the use of military force



combined with the emergence of ultra-nationalist factions within the Japanese military, supported by academic geopoliticians who were students of German "Geopolitik" to cause a shift in the political tide within the country. Pro-military supporters began to take over control of the Diet, military expenditures were raised thereby resulting in a renewed emphasis on the defense related industrial sector of the nation. Military units began to take actions on their own to further the Japanese Empire in Manchuria. Such actions only worsened Japan's relations with the West and hastened the onset of World War II.

The renewal of hostilities in China in 1937 required fresh military outlays on a greatly expanded scale. This caused government financial deficits to grow once again. (605 million Yen in 1937, 1298 million Yen in 1939 and 2406 million Yen in 1940). By 1940, however, Japanese resources were near full employment. Drastic controls were placed on the foreign exchange market in order to restrict normal imports and divert exchange resources progressively to steel, oil, and other strategic materials. The continued expansion of war industries both within Japan and in North China, now Manchukuo, led to a spreading network of controls over domestic production and investment to channel materials and labor to the defense-related industries, resulting in a progressive dislocation of the entire structure of Japanese industry and trade.<sup>74</sup>



The interwar years thus saw Japan attempt peacefully to integrate itself into the World economic community. Its growing economic strength, however, generated fears within the industrialized West of their ability to compete with Japan in this vital international area. Because of these fears protectionist sentiments arose which subsequently led to the establishment of barriers to trade designed specifically to limit the impact of Japanese goods on the world marketplace. These protectionist measures added to the already severe internal pressures within Japan caused by its growing urban population. Japan had a vital need to export goods to pay for needed raw material imports and any action to inhibit this trade would only lead to worsening economic conditions at home.

In short order the Japanese government abandoned the pursuit of protecting its economic well-being through diplomacy. Rising nationalist forces, now firmly in control of the Diet, sought instead to establish an empire which would ensure for Japan self-sufficiency of raw materials and markets, plus provide autonomy from the Western powers. Again, the threat from without caused reactions from within the Japanese government to cope with and meet the perceived threat to Japan's independence and equality and its recently won prosperity. The rising tide of Japanese nationalism, which reached fanatical proportions when grounded in the worship of the Emperor as the "son of



Heaven," combined with the complex interrelationship between a powerful business community and an increasingly militant government to lead Japan to invade Manchuria in 1931; to war with China in 1937; to the announcement of the Greater East Asia Co. Prosperity Sphere in 1941 which ultimately led to war with the United States.

#### D. THE POSTWAR REVIVAL

Within four short years Japan was in ruins with an occupying Army and dim prospects for the future. However, another combination of benevolent rule, Japanese ingenuity, skill and determination revived the Japanese economy and set it on yet another road towards economic health. Japanese economic activity at the end of World War II had been brought to a virtual standstill as a result of the nearly complete destruction of production resources by Allied action. The complete suspension of foreign trade and other dislocations caused by the war itself resulted in rampant inflation and a serious food shortage. Direct controls of the economy were once again necessary, including such measures as price controls, allocation of scarce materials and the rationing of food and other necessities.<sup>75</sup>

To many domestic and foreign observers at the time, the future economic recovery of Japan was perceived as being extremely tenuous and one which would require a long rehabilitation period before pre-war prosperity levels could



be regained. However, a number of internal and external factors worked favorably to Japan's economic advantage, allowing it to achieve its pre-war (1934-36 average) per capita real national income as early as 1953, and rapid economic growth has continued thereafter, so that the average annual growth rate of 9.6% for the 1950's and 11% for the 1960's was more than double the pre-war rate of 4.6%.<sup>76</sup> Table 1 illustrates the wide disparity in growth rate which Japan registered over that 20 year span in comparison to those of the other industrialized nations:

Table 1. Rate of Growth in Selected Countries  
at constant prices

<u>Country</u>	<u>1950-55</u>	<u>1955-60</u>	<u>1960-65</u>	<u>1965-70</u>
Japan	9.1	10.1	10.0	12.1
France	4.5	4.2	5.9	5.8
W. Germany	9.0	6.0	4.9	4.8
U.K.	2.6	2.4	3.3	2.4
U.S.A.	4.3	2.3	4.9	3.3

Since the 1973 oil crisis however, Japan's growth rate has declined markedly, whereas those of the other industrialized states have remained more or less steady. Table 2 provides a breakdown of this trend in terms of Gross Domestic Product.

Internally, the most important elements in Japan's post war economic resurgence can be directly attributed to the policies of the Allied occupational forces under MacArthur.



Table 2. Rate of Growth in Selected Countries<sup>78</sup>  
at constant prices

<u>Country</u>	<u>1969-73</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Japan	9.0	6.0	5.4	5.6
France	5.6	4.6	3.1	3.8
W. Germany	4.2	5.6	2.8	3.5
U.K.	3.5	3.6	1.2	3.5
U.S.A.	3.6	5.5	4.8	4.4

Although the official policy of SCAP (Supreme Commander Allied Powers) emphasized measures to prevent Japan from regaining military strength, the Allied staff did not limit themselves to this particular area of post war reconstruction. In addition to limiting Japan's warmaking potential the staff also followed an economic democratization policy which was aimed at reforming the social and economic structure of Japan. During the occupation period, the United States repeatedly sent teams of experts to Japan to offer advice on the modernization of Japanese industries. Just as in 1868, the use of foreign expertise was once again utilized to bring Japan into the world community. Extensive domestic reforms carried out under the auspices of the MacArthur staff dismantled the corporate structure of the zaibatsu conglomerates thereby infusing new blood into the Japanese society in general and the economy in particular, laying the foundation for its subsequent vigorous economic resurgence.



The dismantling of the pre-war zaibatsu had a stimulating impact on industry by fostering free competition within the business community. The purge of the top management levels allowed the ascendancy of younger, more vigorous managerial talents within the newly re-organized companies thereby stimulating renewed growth and expanded investments. Thus, defeat in war and the sweeping reforms which followed, cleared the ground for starting competition from scratch and re-invigorated the entire business community.

However, these were only the direct results of the Occupation itself. In and of themselves they were not sufficient to provide the impetus to expand in the same vein as the Meiji forefathers had after the Meiji Restoration. What actually turned the tide were those certain, innate characteristics of the Japanese that have set them apart from the rest of Asian society, that is, their ability to rebound from defeat to press on with needed reforms to raise Japan once again to a level of equality with the Westerner, undistracted by regrets for past ambitions and actions; their propensity for hard work; the Meiji legacy of a virtual 99% literacy rate; the glut of a large, trained labor force and the fact that they had been freed from the necessity of maintaining an economy draining military budget by virtue of Article 9 to the



post-war Japanese "Peace" Constitution which provides in part that:

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

In order to accomplish the aim of the preceeding paragraph, land, sea and air forces, as well as other war making potential will never be maintained. The right of belligerency of the state will not be recognized."<sup>79</sup>

These factors have combined with an already proven ability to successfully import foreign technology to provide Japan with all the basic elements needed to restart their stalled economic system.

#### 1. Economic Reconstruction Policies

Just as their Meiji forefathers, the postwar government concentrated on building the economic basis of a "strong country," only this time unencumbered by the "strong military" side of the equation. An Economic Stabilization Board was created in 1946 to formulate a general framework of policies for economic rehabilitation. This group worked out a set of policies, named the Priority Production Program, which stressed the concentration of efforts on increasing coal production in order to generate sufficient capital to facilitate the resumption of production of other basic goods. Postwar inflation was brought under control through the use of the "Dodge Plan" formulated by a Detroit banker, Joseph Dodge, which reduced



the multiple exchange rate system then in use to a single exchange rate - 360 Yen to the Dollar.<sup>80</sup>

With inflation under control the Japanese government set about to close the technology gap that had existed both prior to and during the war years. As contacts with foreign countries were restored, the import of "know-how" from highly developed countries began anew. The postwar investment boom was based mainly on this importation of technology and its application in the actual production process. In importing new technologies, selections were once again made to take best advantage of local conditions and actual market forces with an eye towards the most profitable factor combination.

The Japanese leadership in the postwar period moved away from the policies of confrontation and power politics in their search for equality and world power status, policies which had led to a devastating war in which the world's first atomic bombs were detonated over the Japanese cities of Hiroshima and Nagasaki. Instead, it turned toward the more peaceful and less dangerous competition in the market places of the world. Japan's technological imports in the late 1940's and early 1950's followed the pattern set by the Meiji in that each new technology imported was improved upon through Japanese ingenuity to the extent that greater productivity was achieved in numerous industries than had originally been



predicted and which resulted in an increasing comparative advantage accruing to Japan in manufacturing productivity.

The major difference between the imports of the Meiji of 1868 and the Japan of the 1950s was that whereas the Meiji forefathers stressed the accumulation first of militarily important technologies, the postwar leadership concentrated strictly on importing economically competitive technologies. During the initial period of rapid growth, civilian production accounted for the lion's share of domestic demand, war-related goods played an insignificant role.<sup>81</sup> By scrupulous use of the latest technology from abroad, and by a continuing research and development program in those areas considered essential to the growth of the Japanese economy, labor productivity rose which, in turn, further increased Japan's comparative advantage in the important labor intensive industries in the world marketplace.

In addition to these direct market related changes, there were more intangible factors inherent to the Japanese people themselves, which also contributed to Japan's meteoric reconstruction process. The most important of these innate qualities was the attitude of the people themselves. As alluded to earlier, the Japanese people were devastated but not destroyed psychologically as a result of their defeat in 1945. Their nationalism was as strong



as ever, as was their sense of uniqueness and desire to regain their place in the world order of nations.

After the disillusionment with the policy of militaristic expansionism, and the misery and devastation which the people experienced due to the bankruptcy of this earlier policy, the Japanese people in general tended to assume an internationalist "economy first" attitude. The energies of the people were now directed towards economic rehabilitation and development. High rates of labor productivity combined with the traditional low rate of Japanese domestic consumption to create favorable conditions for high rates of savings which, in turn, provided the necessary capital for further industrial expansion. After refurbishing the basic industries such as coal, iron, steel, fertilizer, power and food, the government branched out, like the Meiji, to encourage the establishment of new industries, including petrochemicals, the modernization of older, more basic industries and the promotion of policies designed to increase exports while providing import protection to older agricultural and the newer "infant" industries. Monetary and banking practices were heavily oriented toward production, as exemplified by the fact that bank loans were available primarily to manufacturers and traders while credit to consumers was severely restricted.

The Japanese version of the free enterprise system in Japan is a modern day reflection of the Japan of the



late 19th Century, that is, the system is characterized by a close, cooperative and mutually supportive relationship between government and business. Economic growth has been nurtured by such cooperation and in part has been directed by informal administrative advice from various governmental Ministries, such as the Ministry of International Trade and Industry (MITI), the Ministry of Finance and the Ministry of Foreign Affairs, based on their studies of world economic trends and appraisals of Japan's domestic and economic needs.<sup>82</sup>

#### 1. Raw Materials Dependency

Encouraging the rapid growth rate of the Japanese economy up until the late 1960s was a worldwide surplus of raw materials (including oil), with the international free trade system established by the General Agreement on Tariffs and Trade (GATT) and International Monetary Fund (IMF) assuring their availability at reasonable rates.<sup>83</sup> This surplus of raw materials in the postwar era was in direct contrast to the situation that existed prior to the outbreak of World War II. Where the United States earlier had worked to limit or prevent Japan's access to vital raw material stocks it now provided these raw materials either freely or at greatly reduced cost in order to rebuild Japan's ravaged economy.

Since Japan's acquisition of independence from Occupation rule it has continued to stress the importance



of the free access to vital stocks of raw materials to the continued health of its economy. As Yamamoto Mitsuro observed, with Japan defining its national interest in terms of continued growth, its foreign policy has been couched in the logic of economics with little regard for the international implications of such policies.<sup>84</sup> This type of perspective has manifested itself in a resource policy based solely on "securing abundant supplies of cheap natural resources."<sup>85</sup> In short, Japan has acted more like an international trading company than a nation state since 1952 which has resulted in the rather deprecatory title of "Japan Inc." being given to describing the actions of Japan on the world scene. Yet, the results of these policies are immense.

By remaining in the shadow of the United States in most foreign affairs and security matters, and concentrating on rebuilding domestically and expanding its international trade through the exploitation of the principles of comparative advantage, Japan's GNP has risen from its ¥8.0 trillion level in 1955 to ¥210 trillion in 1978.<sup>86</sup> Japan's portion of world GNP amounted to \$14.9 billion in 1960, or 3.2% of the total world GNP. By 1970, Japan's percentage of world GNP had doubled to 6.2%.<sup>87</sup> Storm clouds however, are gathering once again over the future of Japan and they are engendering a debate both within and without Japan as to the future of its economic health. The postwar



conglomerates have been struck with ever increasing energy costs and a concern about the future availability of the raw materials necessary to keep the economy functioning.

### 3. Reemergence of Japan's Arms Industries

The first Nixon "shock" of 1971 ended the Bretton Woods system of International Free Trade based on fixed exchange rates, while the oil crisis of 1973 demonstrated that buying power alone was insufficient to insure the availability of natural resources. As happened once before in 1929, Japan's vulnerability due to its virtual total dependence on foreign raw materials (see Appendix D) was once again highlighted. Since 1973 Japan has been forced to realize that its policy of "Seikei bunri," or the separation of economic and foreign policies, will become progressively more difficult to operationalize in view of the trend toward "cartelization" of vital primary resources.

Concern has arisen among the government and business leaders about the total dependence upon their chief ally the United States and its ability by itself to protect what they deem the essential lines of communication that form Japan's economic lifeline. It is this debate that has shed increasing light on the current state of Japan's armaments industry, a sector of the economy which has quietly developed in classic Japanese imitative style since the reemergence of Japan's military system following the outbreak of the Korean War in 1950. Defense related issues



are no longer a taboo subject in Diet debates. In January 1978, the then Prime Minister Fukuda Takeo became the first postwar Premier to give defense a separate category in a speech marking the opening of a session of the Diet. This new interest in the subject of armaments and defense comes at a time when the consensus among the Japanese people concerning such matters as defense expenditures, the advisability of weapons exports and the very constitutionality of the Self Defense Forces themselves, has yet to be clearly determined.

Although Japan was denied by constitutional dictate, a resort to force as a means of policy later broader interpretations of Article 9 have been made allowing the development of a purely "defensive" force whose objective "is to prevent direct and indirect aggression, and, once invaded, to repel such aggression thereby preserving the independence and peace of Japan founded upon democratic principles."<sup>88</sup> Since General MacArthur realized the need for an indigenous security force when US Occupation troops were withdrawn, the United States has been the prime supplier of Japan's defense needs. In 1950, Japan's defense budget for the First Defense Buildup Plan totalled \$364 million or 19.8% of the national budget. For a number of years thereafter defense expenditures expanded and contracted rather unpredictably but by 1955 the figure was more or less the same as five years previous, that is,



\$375 million. Since that date however, Japan's defense expenditures have increased quietly but steadily year after year.

Defense related expenditures have decreased only in relation to the GNP and the national budget. Defense outlays accounted for 1.78% of the GNP in 1955, 1.23% in 1960 and by 1967 this percentage had fallen to below the 1% level where it has been scrupulously maintained as a matter of governmental policy ever since. (See Appendix E) This policy however, has been the subject of increasing criticism both within and without Japan since Richard Nixon's enunciation of the "Guam Doctrine" in 1969. The ratio to the national budget has followed the same pattern. In 1955 defense received 13.61%, in 1960 9.99%, 8.24% in 1965, 7.16% in 1970, 5.54% in 1977.

The issues of arms, armaments, arms industries and defense have been the center of some of the most heated postwar Japanese controversies. As one of the world's most industrialized nations, Japan has the capability of manufacturing nearly all of its military equipment. However, Article 9 of the Constitution prohibits the possession and sale of war making material and, to a certain extent, this has precluded the Japanese from developing this aspect of their industrial economy. Denied markets for the military hardware they could produce, the costs the Japanese would incur in developing weapons for their own self defense



requirements have become prohibitively expensive. They have however, diligently maintained state of the art experience through the time tested method of importation and imitation of advanced weapons technologies, often time adapting them to suit their particular needs. Consequently, the Japanese tend to produce, under license, equipment developed by other nations, notably the United States.

The major weapons systems currently being produced under license by Japan are the following:

Mitsubishi Heavy Industries Ltd.: F-86F, F-104J and F-4EJ jet fighters; S-55, HHS-2(S-61) and S-62 helicopters; Allison 250, Pratt and Whitney JT8D engines.

Kawasaki Heavy Industries, Ltd.: T-33, P2V-7 aircraft; Bell 47, Boeing Vertol KV-107 and Hughes 500 helicopters; T-53 engines.

Fuji Heavy Industries, Ltd.: T-34A, L-19 aircraft; Bell 204B helicopters.

Ishikawajima-Harima Heavy Industries, Ltd.: Adour (TF40), J79, CT58 and T64 engines.

In addition to the above, multiple contracts have recently been awarded for the co-production and licensed production of the E-2C, P-3C and F-15 aircraft which the Japanese are procuring in order to update and improve their air defense system.<sup>89</sup>

In addition to the above systems produced under license, the Japanese have branched out into development and production of various forms of armaments regardless of the costs incurred, as an effort to maintain their



relative independence from the West and to maintain their level of equality and, if possible, their competitiveness with Western arms manufacturers. Currently Japanese industry produces aircraft, ships, engines, small arms, missiles, tanks and a variety of electrical and electronic equipment indigenously. Major equipment that has been developed by the Japanese include the following:

T-1 trainer (jet), PS-1 ASW amphibian, C-1 transport, G-2 trainer, F-1 close support jet fighter, Type 64 antitank missiles, Type 69 air-to-air missile, Type 64 7.62mm rifles, Type 68 model 30 rockets, 127mm air-to-air rocket, Type 75 155mm self propelled gun, Type 75 self-propelled, multi barrelled rocket launcher, Type 73 armored vehicle, Type 74 tank and three dimensional radars.

Research and development is also underway for the following projects: a short range ground to ground missile, a ground to air missile, air to ship missiles, a high speed homing torpedo, a field battle artillery fire instruction device,<sup>90</sup> a follow on to the C-1 transport plane,<sup>91</sup> a new surface to surface missile,<sup>92</sup> and most recently, extensive effort has been directed toward developing laser technology with weapons systems applications and a follow-on to T-74 Main Battle Tank to include a gun system which will be compatible to standard NATO tank armament. (a fact which may indicate a future export oriented objective)

Overall however, Japan enjoys the distinction of having the lowest defense expenditure ratio of all the advanced industrialized nations.



As Japan exports almost no ordnance, the procurement figures of the Defense Agency are just about equal to the total production of Japan's defense related industries, an amount equal to about .3% of Japan's industrial output. While this figure appears to be low, it should be kept in mind that virtually every major industry in Japan is currently engaged in some form of weapons production work for the Japanese Self Defense Forces. The top ten Japanese defense manufacturers for 1978 were as follows:

<u>Company</u>	<u>Contracts in \$ millions</u>
Mitsubishi Heavy Industries	711.5
Ishikawajima-Harima	250.4
Mitsubishi Electric	243.3
Kawasaki Heavy Industries	187.4
Toshiba Electric	80.8
Hitachi Shipbuilding	67.2
Nihon Electric	54.4
Shin Meiwa	44.7
Komatsu Iron Works	39.2
Nihon Steel	38.5

Many people believe that Japan will soon breach the current psychological 1% of the GNP barrier in defense spending and that once this barrier is broken Japan will proceed rapidly to a 2% level of defense spending. There is also a widespread belief that Japan can no longer shirk the responsibilities which her status as an economic superpower has laid upon it and that Japan will develop a military capability commensurate with its economic status. In fact, as shown in Chapter III, many of the above industries, which form the heart of Japan's military-industrial complex,



are pushing quietly but firmly not only for an increase in domestic defense spending, but also for a relaxation of the 1967 ban on exports. Several of these industries such as Mitsubishi Heavy Industries, Mitsui Engineering and Shipbuilding and Kawasaki Heavy Industries have been particularly hard hit by the recent recession and have been in the forefront in pressing for increased defense contracts and a liberalized export policy.

From the foregoing it is evident that Japan's policies vis-a-vis its defense postures and its military industrial structure have been traditionally based on a frank perception of the environment in which it must exist. Traditionally Japan's activist period in the realm of military related responses have been the result of feelings of stress and fear for the survival of their nation in combination with an ethnocentric view of their proper role within the world community of nations. I have shown in Chapters II and III that there is a change taking place within Japan, subtle though it may be at present, with regard to its basic defense policies in general and with respect to its policy on arms exports in particular. It appears to this writer that this shift denotes yet another coping response on the part of the Japanese people to a perception of a growing external threat. The following Chapter will be an analysis of that external threat.



V. THE 1980 NORTHEAST ASIAN STRATEGIC ENVIRONMENT  
THREAT AND OPPORTUNITY

The events of the decade of the seventies have combined to cause a significant change in the strategic environment in Northeast Asia. Since the end of the Pacific War in 1945, Japan has been able to rely on the security umbrella of the United States and thereby focus its national energies on a single all consuming objective; the maximization of economic growth.<sup>93</sup>

There is little disagreement about the key elements that cumulatively have generated Japan's postwar economic dynamism. Foremost among the sociopolitical factors is the singular degree of racial, cultural and linguistic homogeneity in Japanese society that has provided the foundation for national unity. This homogeneity is largely the product of Japan's geographic isolation which has meant an historical absence of both large scale migration into the Japanese islands and, until 1945, a successful foreign invasion.

Japanese society, perhaps because of its homogeneity, also appears to possess an extraordinary propensity for what Herman Kahn has called "purposeful communal action."<sup>94</sup> Added to this characteristic of the Japanese is the old samurai ethic of loyalty, which, when combined with the



fact that the Japanese people are individually and collectively, highly motivated, well educated, achievement and work oriented, energetic and self disciplined, has enabled the Japanese to push forward in the postwar period to catch up with the West through the maximization of economic growth.

The international events of the 1970's, however, have cast a new light on the economic well being of Japanese society and have brought the question of strategic interests to the fore in the minds of the Japanese leadership. The 1973 oil embargo dramatically demonstrated the tenuous nature of Japan's industrial dependency on imported oil. In addition, the burgeoning Soviet military presence throughout East Asia, that followed on the heels of a lowered U.S. profile in the Pacific, raised some doubts about Washington's commitment to Tokyo under the Joint Security Treaty and has consequently brought the question of the security for Japan's essential sea lines of communication (SLOC) into focus. Japan's economy is heavily dependent on external resources and its population and industrial and administrative centers are concentrated in a small geographic area. The most likely potential military threat to Japan and its life support system would therefore seem to be the cutting off of supplies by the interdiction of its air and sea lanes.<sup>95</sup>



Two other events have also occurred which have had a significant impact on the Japanese leadership in awakening them to the Northeast Asian strategic picture. These were the two "shokku" perpetrated by the United States. The first of these was the announcement in 1972 of the normalization of relations between the United States and the People's Republic of China by the Nixon Administration and secondly, the announcement by the Carter Administration in 1976 of phased troop withdrawals from the Korean peninsula. Both of these events took place without prior consultation between the United States and Japan. As a result, the Japanese leadership has begun to embark upon a more independent foreign policy in tune with what the Japanese perceive their national interests to be in the strategic environment of the Northeast Asian area.

This new individualism in foreign policy has taken place concurrently with a rebirth of nationalism on the part of the Japanese people and both have combined to alter the internal political climate in such a way that political opinion and cooperation has been achieved on a number of defense related questions which had previously been extremely controversial. The following sections provide an overview of the geostrategic milieu to which Japan must adapt itself to and which will have the greatest impact on the formulation of its coping responses to external pressures.



## A. THE KURILE ISLANDS DISPUTE

First of all is the Kurile Islands dispute between Japan and the Soviet Union. In the sometimes turbulent course of postwar Japanese-Soviet relations no issue has been more central, none more difficult and few more persistent than that of the Northern Territories. Over the past decades both Japan and the Soviet Union laid conflicting claims to various of the 36 islands, spanning some 1200 kilometers, which lie in a northeast arch between Japan's big island Hokaido, and the Soviet Kamchatka peninsula.<sup>96</sup> This dispute between the two governments today, concerns the four southernmost islands, Kunashiri, Etorofu, Habomai and Shikotan.

The strategic importance of the islands from the Soviet point of view cannot be understated. The Kuriles serve as a gateway into the Pacific for the growing Soviet Far Eastern Fleet, and secure a Soviet "lake" within the Sea of Okhotsk which would afford the approximately 50 nuclear powered and missile equipped Soviet Pacific Fleet submarines plenty of safe maneuvering room.<sup>97</sup>

The problem itself can be traced back to the mid 18th Century with the convergence of both Japan and Czarist Russia on the Kuriles. The subsequent struggle over ownership was seemingly settled by the Treaties of Shimoda (1855) and St. Petersburg (1875). However, Soviet Russia, not willing to accept the Japanese claims based on Czarist



settlements, gained by diplomacy and force what Japan obviously would never yield in peacetime. Since 1905, Japanese possession of the Kuriles arc had blocked Soviet access to the Pacific and hindered Soviet exploitation of lucrative fishing waters.

By accepting the Potsdam Declaration on 14 August 1945, Japan's leaders acquiesced to giving up all her annexations made by conquest since 1895. However, it is doubtful that Japan expected to lose the entire Kurile Islands since their ownership had been established peacefully by the Treaty of St. Petersburg in 1875. What was unknown to them at the time was that Roosevelt, at the Yalta Conference, had acquiesced to the Soviet concession demands by Stalin as the price for Russia's entry into the Pacific War. Roosevelt was under the misapprehension that the four northern islands were included in the Kuriles allotted to Japan by Russia in the War of 1905. Therefore he considered the Soviet demands to be reasonable. The Soviet Union entered the war on 9 September 1945 and immediately seized Manchuria, Korea, Sakhalin and the Kurile Islands. During the occupation period, the Soviet Union strengthened its hold on the Kuriles by first repatriating the Japanese inhabitants, replacing them with Soviet citizens and then absorbing the islands into the U.S.S.R. by an amendment to the Soviet Constitution in 1945. In a speech delivered on



2 September 1945, Stalin spoke of the Kurile's new significance to the Soviet Union:

"Henceforth, the Kurile Islands shall not serve as a means to cut off the Soviet Union from the ocean or as a base for a Japanese attack on our Far East, but as a means to link the Soviet Union with the ocean and as a defensive base against Japanese aggression."<sup>98</sup>

However, rather than ending the frontier problem the Soviets actually compounded it by sowing the seeds of protest in Japan and sparking an irredentist movement in the Northern prefecture of Hokkaido, the province with the closest ethnological ties to the island in question and which has subsequently spread to become a nationalistic force d'etre nation-wide.

To further compound the problem, when Prime Minister Yoshida signed the peace treaty in San Francisco in 1951, he in effect renounced all rights and claims to the Kuriles. Since that signing however, the Japanese have persistently argued that Yoshida defined the Kuriles as only those islands to the north of Etorofu. The four islands south of and including Etorofu were still claimed by the Japanese under the terms of the St. Petersburg Treaty.

The debate has continued to cause friction between the two nations and has recently intensified in scope. The first incident was the June 1978 Soviet airborne and amphibious assault landing exercises on Etorofu. These exercises, coupled with increased harassment of Japanese



fishermen, coincided with the negotiations between Japan and the People's Republic of China and were seen at the time as geopolitical muscle flexing and a heavy handed attempt to influence the Japanese negotiating stance. Tokyo was being told in not too subtle terms that China was not the only Asian power on its doorstep.<sup>99</sup>

Again, in September of 1979, the Soviet hold on these disputed territories was further strengthened by the revelation that the Soviets had begun to construct a permanent presence on the island of Shikotan and all indications appear to suggest that the building activity is related to the establishment of brigade level strength within eyesight distance of the northernmost island of Hokkaido.<sup>100</sup>

A permanent presence on the Kuriles has put the Japanese on notice that the disputed islands are firmly in the Soviet domain and they serve, along with the increased military build-up and naval activities in the straits and waterways surrounding Japan, as a constant reminder of the military strength of the Soviet Union and an important factor to be considered when formulating Japanese foreign policies.

## B. THE KOREAN PENINSULA

The second strategic factor of concern to the Japanese is Korea, an area referred to by some as the "Flanders of the Orient."<sup>101</sup> Others have described Korea as the "Dagger



pointed at the heart of Japan."<sup>102</sup> In any event, it is the land bridge which provided Japan access to Manchuria and to the Russian Maritime Provinces in the early 20th Century. Conversely, Korea has been the point of embarkation both for thrusts to Japan across the Korea or Tsushima Straits and for advances into the Sea of Japan and thence into the Pacific with simultaneous control of the Yellow Sea. More recently, however, Korea is important strategically in that it is the point where the three Superpowers, the United States, the Soviet Union and China confront each other most closely. It is therefore in Japan's national interest to have a stable environment in the Northeast Asian area.

Overall, the following four points can be postulated as an encapsulation of Japan's national interests as they relate to the Korean Peninsula:

- a. There must not be another outbreak of war in Korea.
- b. Japan should not adopt a Korea policy which invites the serious hostility of Beijing or Moscow.
- c. South Korea should be controlled by a non-hostile government.
- d. Japan should attempt to derive the maximum possible economic and political benefits from the Korean Peninsula as a whole.<sup>103</sup>

These four interests should be properly viewed in hierarchical terms. The first is of the utmost importance, the second and third are of great consequence, while the fourth is significant, but less so than the three that precede it.<sup>104</sup>



In light of the present crisis situation in Korea it can be seen that Korea remains Asia's most volatile flash-point. However, it is believed that as long as the United States remains dedicated to the deterrence of North Korean revanchist tendencies and takes measures to prevent any attempts by the North Koreans to capitalize on the political upheavals resulting from the present succession crisis, then no renewal of open warfare between the two sides will result. This prediction however, in order to hold true, will also require the continued refusal of the Soviets and the Chinese Communists to support Kim Il Sung's desire to pursue a more activist, aggressive policy in attempting to reunite the peninsula.

Japan, therefore, responsive as it must be to these three Superpowers, has a vested interest in the maintenance of peace and stability on the Korean mainland. Should hostilities break out anew, it would undoubtedly present a direct threat to its very existence. For this reason, Japan has attempted to walk a tightrope in its relations with each of its superpower neighbors, always eschewing politics that would cause friction or any undue hostility which could result in the increase of tension within the area.

Should there be a flareup of such tension leading to renewed conflict within the region, Japan would almost certainly be drawn into the conflict and, in view of its



present non-nuclear lightly armed defense forces, such an event could prove catastrophic to Japan. Therefore, the geopolitical reality of the situation calls for Japan to "walk the fence" which separates all the nations with interests in the Korean Peninsula.

This policy appears to have been successful to date in that Japan has steadily increased her trade with both Koreas, thereby maintaining a lucrative market for Japanese goods in South Korea, while at the same time negotiating with North Korea for receipt of badly needed raw materials for Japan's industries in return for low interest Japanese loans to help invigorate the stalled North Korean economy. This two Korea policy with respect to trade relations has worked to achieve Japan's fourth interest goal of maximizing the possible economic and political benefits from the Korean land mass as a whole while at the same time assisting in the achievement of the second interest.

#### C. THE PEOPLE'S REPUBLIC OF CHINA

Moving further to the West - Southwest from Japan lies the People's Republic of China, the nation that has been the most dramatic in accentuating Japan's new role in the region during the past two years. The recent history of formal Sino-Japanese relations began in 1972, after the Nixon "shokku" of normalizing US-China relations. Prior to



this time Japan had been tied to US foreign policy apron strings and therefore, Tokyo was unable to meet Beijing's previous demands that the establishment of full diplomatic relations required Japan to sever ties with Taiwan.<sup>105</sup>

Once these strings were broken, Tokyo proceeded to downgrade its diplomatic ties with Taiwan by dis-establishing ambassadorial level relations and opting for cultural and economic "missions."

For the Japanese, the normalization of Sino-Japanese relations represents a major success for their new, more independent foreign policy. Together with the Sino-American detente the rapprochement with Beijing considerably enhanced Japan's national security by promoting an international environment characterized by negotiations, compromise, and flexibility, and by increasing the prospects for stability among the major actors in the Asian theater.

With respect to Soviet-Japanese relations, the reconciliation with the People's Republic of China is likely to improve Japan's bargaining position. The USSR was clearly unhappy about the rapid improvement in Sino-Japanese relations. For 10 years the Soviet Union had pursued a Dulles-like strategy of containing China in Asia by building up its ground forces on the Chinese border and its naval power in the Pacific, while seeking through a variety of political and economic means to check the expansion of Chinese influence. Yet the result of that strategy has



been to leave the Soviet Union in virtual political isolation in Asia.<sup>106</sup>

Through various heavy handed diplomatic tactics aimed at discouraging Japan from moving closer to the People's Republic of China, tactics such as harassment of fishermen, intransigence on negotiations concerning fishing treaties, military buildups on the disputed Kurile Islands and outright diplomatic warnings, the Soviets only succeeded in pushing the Japanese to react more positively and swiftly to the overtures of the Chinese, culminating in the signing of the 1978 Sino-Japanese Peace and Friendship Treaty. This pseudo "alignment" of Japan, China and the US is reminiscent of the historical proclivity of the Japanese to align themselves with any power who confronts the imperialistic drives of the Russians.

Since 1972, economic and cultural ties have been growing steadily between the two countries. In 1978 alone, China concluded a \$20 billion long-term trade agreement under which Japan will buy mainly oil and coal while China will get industrial plants and technology. Also, China increased her importation of Japanese steel to such an extent (5.5 million metric tons) that it equalled the United States' imports. This is significant in that the United States had for many years been Japan's best customer for steel.<sup>107</sup>



These new economic ties, especially in the energy field, also work to improve Japan's strategic goals vis-a-vis her dependence on Middle Eastern oil and the extended SLOC that the delivery of that oil entails. If Japan can secure another outlet for this vital need closer to home, she will cut the distance and time involved in shipments and afford the Maritime Self Defense Forces a more realistic ability to provide convoy protection should the need ever arise during a conflict situation. More importantly, it helps loosen the stranglehold which the OPEC nations have over the Japanese economy.

Japan's rapidly improving relationship with the People's Republic should not be seen in terms of a coalition or alliance. It is best viewed in the context of the fluid situation in Asia, which demands flexibility and continuous maneuvering among the principle actors -- the United States, the USSR, China and Japan. Though Japan clearly is drawn to China on the basis of an emotionally powerful mixture of history, common cultural and linguistic roots, and a sense of shared destiny, a prime objective in furthering its relations (both political and economic) with Beijing will be to improve its bargaining position with the USSR and the United States. This is not to say that Japan will not value its relationship with China for its own sake, rather, Japan will have to (and will prefer to) operate in a multi-lateral setting rather than in the context of an exclusive bilateral



alliance with a particular great power, as has been the case over the past 20 years.<sup>108</sup>

#### D. SOVIET MILITARY ASCENDENCY IN ASIA

The fourth and final of the major strategic factors on the Northeast Asian geopolitical scene, but by no means the least import to the Japanese leadership and people is the rapid and menacing general buildup of the Soviet military forces in the Far East, particularly that of the Soviet Far Eastern Fleet. The Soviet Pacific Fleet currently possesses a balanced combat force of some 777 warships including 20 main surface combatants, 125 submarines and supply ships, approximately 310 combat aircraft and two naval infantry regiments. This force has been growing steadily since 1960 in comparison to the relative decline in numbers of US warships in the area over the same period -- a fact which can be graphically seen by the chart provided in Appendix F.<sup>109</sup> This most visible buildup has had a profound impact on all levels of Japanese society and it is an important factor when considering the strategic interests of Japan vis-a-vis the Kurile question, Korea, the People's Republic of China and, most importantly, the extended Sea Lines of Communication running southward through the South China Sea and Westward to the Persian Gulf.

The Russians appear to have copied the United States' tactic of power projection by utilizing a strong naval



presence in areas throughout the world as a means of enhancing political and strategic objectives within those areas. There can be little doubt, it is suggested here, that in the late 1970's Moscow sees its dramatically expanding sea power as part of an organic, integrated and cumulative strategy aimed at eroding, challenging and eventually overcoming the traditional Western command of the seas. This total maritime strategy and the ultimate political objectives, transcend any purely regional ambitions of the USSR, whether in the Far East, the Indian Ocean or the Atlantic. The drive to challenge the Western command of the seas must be seen overall. Moscow hopes initially to limit the US capability of reacting to Soviet advances whether in the Far East or elsewhere.<sup>110</sup> One need only to look to Afghanistan and Iran to see examples of this policy.

The Soviets have utilized their maritime supremacy to pressure the Japanese in and around the Northern Territories by harassing the Japanese fishing fleets and by the massive Soviet fishing fleets moving with impunity into the waters of Hokkaido itself. Their continued infringements of Japanese air space have been a persistent irritant in Russo-Japanese relations and the blatant muscle flexing as exhibited in their many Soviet combined arms military exercises have caused increased uneasiness within Japanese society as they watch what they perceive to be US



retrenchment in Northeast Asia. Of particular importance is the recent agreement between the Soviets and the Vietnamese for the use of port facilities in Vietnam, thus positioning the Soviet fleet athwart the main Persian Gulf-Japan oil route.

#### E. EFFECTS CAUSED BY THE CHANGING GEOSTRATEGIC ENVIRONMENT

The result of this evolution in the geostrategic environment surrounding Japan can be seen in the gradual shift of public opinion within Japan toward a new acceptance of the need for a strong and effective military establishment. A recent nationwide public opinion poll taken by the United States International Communication Agency revealed the following statistics and conclusions.<sup>111</sup>

"Japanese government poll trend measures (Oct 1975 and Dec 1978) have shown small but significant rises in public acceptance of security ties with the United States, favorable opinion of the nation's Self Defense Forces and support for increased defense spending.

As indicated in the following figures...an improvement in the quality of Japan's maritime and air defense forces is the priority need:

##### Attitudes Among the Defense Oriented Toward Selected Defense Measures

<u>See a Need for Japan to:</u>	<u>Agree</u>	<u>Disagree</u>	<u>Don't know</u>
Improve quality of sea & air defense forces	82%	16%	2%
Improve warning systems against enemy attacks	64%	27%	8%
Build greater defense capa- bility independent of US	60%	35%	6%



Attitudes Among the Defense Oriented Toward  
Selected Defense Measures (continued)

<u>See a Need for Japan to:</u>	<u>Agree</u>	<u>Disagree</u>	<u>Don't know</u>
Be able to patrol oil supply routes in Western Pacific	56%	24%	21%

There has been a gradual but steady rise over the past 10 years in the acceptance of the Self Defense Forces and the need to provide a strong defense establishment while opposition of the SDF has steadily declined over the same period. Appendix G provides a statistical summary of this question as attained from Japanese Defense Agency public opinion poll statistics from 1969 to 1978.

In the area of international affairs, Japan since 1972 has been moving slowly but surely in the direction of taking a more active role in the affairs of the Northeast Asian region. As Japan restructures its home industrial base from its less competitive capital intensive industries to more profitable knowledge intensive areas, such as computer chips and electronics, it has discovered the need once more to interact on an international scale with those nations that have the potential to directly affect the economic well being of Japan. Japan cannot afford to have the inflationary trends and recessionary forecast lead to the reemergence of barriers to trade as happened in the late 1920's and early 1930's. However, where in the immediate postwar era the United States assisted Japan in its quest for open markets, Japan now finds the same



protectionist sentiments arising there as in the other nations of the West. Thus Japan is being forced to independently translate some of its economic power into political power in order to protect its world interests.<sup>112</sup> One of the major problems which Japan must contend with in this regard is the legacy of World War II. It is the general consensus among the Japanese leadership that Japan must take every opportunity to demonstrate its determination to be a peaceloving nation and that Japan must therefore maintain as much of an independent position as possible in World affairs. It must take care not to become embroiled in the power game of the United States, the Soviet Union and China. If it were to do so, it could jeopardize its continued access to vital raw materials, especially energy resources, and thus threaten its future survival.

#### 1. The Economic Factor

The first problem facing Japan's leadership in carrying out their attempt to bring Japan further to the center of the international stage will be that of reconciling the problems created by Japan's own protectionist policies regarding the home market place. These policies have been the most recent cause for dissension between the US and Japan due to the huge balance of trade imbalance created between them. This imbalance comes at the same time as the fall of the dollar from its former position of superiority in the world.



Since the beginning of the 1970's Japan has been steadily registering huge trade surpluses which reached their peak in 1978 with a \$11,852 million surplus.<sup>113</sup> This surplus, plus Japan's internal protectionist policies, have borne the brunt of the United States' criticisms of Japanese economic policies over the past few years.

Japan has been also criticized for not being a part of an integrated, geographic trading area such as the EEC, the US and Canada, and for the composition of its trade in manufactured goods. The United States points out that over half the world trade in manufactures consists of shipments of intermediate inputs and that during the period 1955-1973 over half the growth of trade in manufactures was between North America and Western Europe, rather than among continents. By virtue of its trade barriers, Japan was actually insulated from this trade.

Except for its dependence on raw materials, most of the Japanese economy is self-contained. Its main trading partners have been the diverse developing countries of the Pacific Rim, the United States and Southeast Asia. Because of its geographic position and its trade policies, Japan did not participate as fully as others in the process of international specialization in manufacturing which occurred in the 1950's and 1960's. Its imports of manufactures are unusually low -- about 20% of its total imports, with little growth, so that its exports of manufactures contain



a very high proportion of domestic value added. In addition, manufactures amount to over 90% of Japanese exports.

In other words, despite the relatively low ratio of exports to GNP, an unusually large part of the value of Japanese export production is domestic. The lack of Japanese participation in world trade in intermediate manufactured foods, and the difficulty in penetrating the Japanese market encountered by intermediate or final products, has reduced the benefits that other industrialized countries receive from Japanese growth.<sup>114</sup>

In short, the United States wants equity and parity in its trading relationship with Japan. No longer can the Japanese justify the protection offered their industries - the time has long since passed that the Japanese economy could be considered in "infancy." The United States, therefore, wants Japan to assume the same responsibilities as other major trading nations including the opening of its markets on an equal basis, and the recent efforts on the part of the Japanese government to reduce these trade barriers has demonstrated a growing understanding on the part of the Japanese of the negative responses that are being generated abroad as a result of these policies and a willingness toward assuming increased responsibilities vis-a-vis trade with the United States.

Japan's economic problems however, do not rest solely with the United States. Whereas Japan has enjoyed



a wide surplus in its balance of payments account with US trade, it has registered a steadily increasing deficit with the oil producing nations which has virtually offset the gains achieved through trade with the United States. In 1978 alone, Japan incurred a deficit of \$10,032 million in export-import trade with the Middle East. As shown in Appendix H, Japanese trade with the Middle East incurred the widest disparity in import vs export percentages than with any other trading partner.<sup>115</sup>

## 2. Arms and Arms Control

It is this aspect of the Japanese external economy that has combined with the internal recession to fuel many of the debates within the government and business communities on the subject of arms and arms control. As was shown in Chapter III a renewed campaign was launched in early 1978 to win more widespread public acceptance for larger defense expenditures and, possibly, a liberalization of the arms export ban. The campaign has been waged at all levels, starting with Prime Minister Fukuda's speech before the National Diet in January and it has increased in intensity through Diet debates and newspaper editorials. The Defense Agency White Papers in particular, have become increasingly more specific in their description of the threats and dangers facing Japan today. Even more indicative of the changing attitudes amongst the Japanese leaders was the statement by the then Minister of Defense



that the Self Defense Forces must pose a potential threat to likely enemies. Given the limitations posed by Article 9, this statement was seen as particularly provocative by the opposition parties and it caused a renewed debate on the question of offensive and defensive forces considered authorized under the terms of the Japanese Constitution. Most observers consider that the objective of "desensitizing" the public and of creating a new consensus recognizing the need for defense is being accomplished,<sup>116</sup> as can be seen in the aforementioned public opinion statistics.

However, the success of this effort is far from certain in that memories of World War II militarism are still alive in Japanese society. This fact can be seen in the effects of an October 15, 1980 suggestion on the part of the Japanese Justice Minister Okuno in the Suzuki cabinet regarding settling the constitutionality of the Self Defense forces. Opposition parties and vigilante groups immediately emitted "howls of protest" criticizing such statements and/or actions as a shorthand for rearming Japan and marching down the road to militarism along pre-World War II lines. In order to calm the climate in the Diet, the Suzuki government was forced to back peddle on the issues of arms and arms control which appears to constitute a temporary setback for the pro-defense advocates.<sup>117</sup>



These temporary setbacks notwithstanding, the mounting criticism of Japan's trade surpluses and Japan's "free ride" in security matters under US protection has given defense advocates an extra argument in pressing their case for increased defense outlays. Even members of the Centrist Opposition parties in the Diet such as Komeito and the Democratic Socialists have modified their anti-defense forces stance in order to accommodate themselves to the rising tide of public acceptance of the military modernization and expansion policies and programs now being proposed.

As was demonstrated in Chapter III, some businessmen are openly advocating greater military spending and a relaxation of arms exports policies as one method of remedying the long economic slump being experienced by Japan's heavy industries. There is a belief on the part of a large faction of the business community that none of the government's fiscal policies will be sufficient to pull Japan out of the slump. One respected business leader has even gone so far as to state "we need another war somewhere to get out of this depression."<sup>118</sup>

Another argument for an expansion of the domestic arms industry is that such development is considered to be essential for a successful transformation of Japanese industrial structure to an increasingly "knowledge intensive" one. Finally, business circles contend that Japan



has been hurt by the arms export ban in developing reciprocal contracts with Middle East oil producers that would favorably affect the current Japanese Balance of Payments deficit in that region of the world. They feel that to secure a stable supply of energy and other basic resources, the Japanese must offer something which the exporters want most -- weapons. Many Japanese businessmen claim to have lost deals in the Middle East because Japan does not offer arms as a part of their contract negotiations.<sup>119</sup>

These arguments are not new, in that they have been forwarded off and on since the policy's first enunciation in 1967. What is new this time, however, is the relative lack of public outrage which had previously accompanied any public debate over defense issues.

Prior to 1973 there was widespread public discord and upheaval whenever attempts were made to modify the provisions of Japan's peace Constitution. For example, the debate over the US-Japan Mutual Security Treaty in 1960 evoked the largest scale riots ever to explode in Tokyo and resulted in the cancellation of President Eisenhower's State visit to Japan. Anti-militarist elements in the Japanese populace portrayed the Security Treaty as a betrayal of the peace Constitution, the antithesis of a desired neutrality and a dangerous lightning rod for war.<sup>120</sup>

In addition to this outbreak of violence, the remainder of the 60's decade witnessed a gradual increase



in anti-military and anti-defense activism on the part of the Japanese people. Demonstrations and minor riots occurred over interpretations of the meaning of the Japan-US security relationship; over base rights issues; nuclear powered ship visits; aircraft accidents; and most of all, over US involvement and Japanese tacit but detached participation in the war in Vietnam. It was only after the 1973 oil crisis, and the rise in external and internal pressures resulting from the newly emerging geostrategic environment that these attitudes began to change.

### 3. Stability, Security and Japan

With the increasing tension being felt throughout the world as a result of the economic effects of the OPEC pricing policies, the growing assertiveness and aggressiveness of Japan's neighbor the Soviet Union and the instability in the Third World countries, notably the Middle East and Southeast Asia, Japan has been feeling an increasing sense of unease over the stability and security of its economic lifelines.

This growing perception of threat and danger has been enhanced by what the Japanese assert to be a weakening of US resolve in assuming its position as a leader of the "Free" world in international politics and concern developed over the credibility of the US defense commitment as contained in the US-Japan Security Agreement. In a nationwide public opinion poll conducted in April 1979 by



the United States International Communications Agency (USICA), when asked about their trust in the US defense commitment the following comment was noted:

"Acceptance of the Security Treaty and the US obligation to defend Japan, it seems, are not issues for the bulk of the Japanese public. What is at issue, however, is the extent of America's actual commitment (emphasis added) to the defense of Japan.

When asked about their confidence in the US defense commitment...50% say they have at least a "fair amount" of trust that the US would come to the aid of Japan if its security were threatened by some other country. About a third (31%) would have little or no trust in the US in such a situation.

In early 1978, a Yomiuri poll asked whether the US would "really" defend Japan under the Security Treaty. It found doubt outweighing belief by a 38% to 21% margin with 41% expressing no opinion. In October 1978, an Asahi poll asked whether the US would defend Japan in "real earnest" and received negative responses by a 56% to 20% margin."121

This perception on the part of Japan concerning a U.S. unwillingness and/or inability to meet all of its defense commitments toward Japan has caused the Japanese to question the advisability of relying on the Japan-U.S. Mutual Security Treaty for the preservation of its peace and security. The question of US credibility in the face of an evolving Northeast Asian security was the subject of an editorial in the Japanese newspaper Nihon Keizai about one month after the above USICA opinion poll was taken. That editorial stated:

"It is natural...that the Japanese should become nervous about the noticeable expansion of Soviet military potential, in accordance with the internationally established view that the military threat



means a combination between potential and specific intention. The Japanese must study at all times, from a long range point of view, how to preserve peace and national independence, and endeavor to establish a national consensus of opinion on this subject gradually."

Regarding the question of whether the US can be counted upon, the article goes on to state:

"Frankly speaking, this doubt, which is related to the very foundation of the Security Treaty means that the Japanese have come to think that the US now seems to be unable to mobilize forces for the defense of Japan...the accumulation of mutual distrust and misunderstanding (regarding the US 1½ war strategy) is itself a factor which is to weaken the deterrent effect of the Security Treaty. Such a situation is by no means desirable for both sides."

Regarding what can be done, the editorial posited that Japan should

"clarify its readiness to do all it can in the fields of defense and diplomacy and then ask the US about concrete measures it can take to fulfill its responsibility of defending Japan in accordance with the Security Treaty. It is not permissible for Japan to remain idle indefinitely while it lacks oil and other resources."<sup>122</sup>

The tenor of these findings is clearly negative and what their ultimate impact will be on Japanese policies related to defense and the defense industries is unclear at present. However, what is clear is that there are feelings of stress growing once again in Japanese society over their concern for their future prosperity. Their past and how they coped with previous threats to their national integrity is a matter of record and is therefore, a source from which to draw lessons when contemplating adaptive or coping responses.<sup>123</sup>



## V. IN CONCLUSION

The hypothesis of this paper was that the original force of the "Three Principles on the Export of Weapons" has been gradually eroding due to the effects of an economic recession in the Japanese defense related industries and to a change in the Northeast Asian strategic environment wherein Japan has been forced to move from its relatively passive role in world affairs to a more activist position in both the economic and military spheres. From the evidence presented it is clear that by virtue of the conscious policy of both the government and business leadership, Japan has in fact been proceeding away from a strict adherence to the "Three Principles" policy to a more liberal interpretation much the same as it used to circumvent the original intentions of Article 9 of the "Peace" Constitution.

Japan's adaptive responses to its increasing strategic vulnerability and sense of isolation in Northeast Asia appears to be leading away from its previous dependent relationship with the United States to a more independent stance in world affairs. It is evident that Japan has reached the stage of its development where it finds that it can no longer remain within the shadow of its postwar mentor. It has received all the assistance and direction



that it is capable of absorbing and therefore must impart a measure of distance so as to continue the developmental process. The stagnation affecting LDP politics, I believe, is also, to a certain extent, the result of the inability of the US-Japan ties to maintain their former closeness. The increased competition between two economic giants has caused frictions between two previously close friends which will necessitate sacrifices on the part of both parties before the current problems can be effectively solved.

Japan's ability to cope with obstacles to its future development will call for visionary leadership not only from the political parties but from business as well. The political arena has not been able to provide this visionary leadership of late, a deficiency which I also feel is connected in some way to the evolutionary process that Japan has undergone since the end of World War II. While the United States played the major role in the early post-war era in the making of Japan's decisions in the international theater thereby fostering the growth of the Japanese economy, it also, to a certain extent, stifled Japan's political development.

As the title of this paper suggests, Japan is now at the crossroads. It is facing some of the most crucial decisions that it has encountered since the prewar days when they faced the decision whether to go to war or not. They must choose whether they will move away from that



previous intimate relationship with the United States. I do believe that they will modernize and expand their military forces to a level sufficient to be able to provide protection to their Sea Lines of Communication from the Selat Lombok straits north, to the home islands. I also contend that they will modernize their forces and provide them with sufficient power to offer a substantial conventional deterrent capability sufficient to discourage any attempt to intimidate or invade the home islands.

I believe that they will continue to rely on the technological sophistication in weaponry of the United States for their mainline fighter aircraft but that they will continue to improve upon the basic designs as they have done historically to suit their particular needs. They will also increase their research and development programs and will continue to develop their own indigenous arm industries to displace the current dependence on the United States at some time in the distant future. If and when the Japanese do decide to achieve total independence in armaments, they will have to rescind the "Three Principles on the Export of Weapons," prior to that point, however, I feel that they will continue to publicly declare their adherence to them, while privately circumventing the restriction through liberal interpretations of the already ambiguous term "arms".



Given Japan's dependence on the free flow of world trade for its continued existence as an economic superpower, I do not subscribe to the fears of some about a resurgence of Japanese militarism with an attendant threat to world peace.<sup>124</sup> I believe that Japan, for realistic geopolitical and economic reasons, will continue to safeguard its relationships between the superpowers so as to maintain its independence of action in world affairs. It will do what it feels will be in the best interests of Japan as a sovereign nation and not of Japan, ally of the United States.

Whatever Japan's responses will be to the pressures of international affairs, it is certain that they will be formed through a close interaction between the government and the business community with the moderating influence of an increasingly active general public. In this regard it will want to maintain all of its options open and to this extent the "Three Principles on the Export of Weapons" will remain in force only so long as it serves its purpose in furthering the objectives of the Japanese people.



# APPENDIX A

## 1978 ARMS TRADE TO THE THIRD WORLD

232 Arms trade, Third World, 1978

Arms trade, Third World, 1978 233

Region code/ Recipient	Supplier	No. ordered	Manufacturer	Weapon designation	Weapon description	Total cost	Unit cost	Year of order	Year of delivery	No. delivered	Comments
	Netherlands	1	..	..	Cruiser	..	..	1977			From Netherlands Navy: <i>De Zeven Provinciën</i> ; converted to hel carrier, Terrier SHSNM returned to USA
	USA	4	Beech	T-34C-1	Destroyer Trainer	..	..	1977	1978	1	From Netherlands Navy: <i>Holland</i>
	USSR	23	Mil	Mi-8 Hip	Hel	..	..	1978			
		36	Sukhoi	Su-22 Fitter-C	Fighter-bomber	..	..	1976	1977	18	Credit terms: 10 years at 2.5% interest
		(100)	Soviet State Arsenal	T-55	MBT	..	..	1977	1978	18	
		200	Soviet State Arsenal	T-62	MBT	..	..	1976	1978	(10)	
		(72)	..	SSN-2 Strya	ShShM	..	..	1976			Reportedly on order for new FPB
		12	..	Oska-J class	FPB	700	..	1976			Reportedly on order
10 Philippines	USA	4	Lockheed	C-130H Hercules	Transport	..	..	1976	1977	2	
		13	Vought	F-4H Crusader	Fighter	11.7	..	1977	1978	(5)	From USN surplus stocks: 10 to be used for spares and support over 10 years; purchased instead of F-1E fighters
		6	Grumman	HU-16B Albatross	Fighter/ASW	..	..	1975	1977	2	From USAF surplus stocks; purchased via private agent
									1978	4	
8 Qatar	Brazil	20	Energia	EE-11 Urutu	APC	..	..	1977			Being fitted with French guns
	France	30	Dassault	Mirage F-1C	Fighter/inter	..	..	1977	1978	(10)	
	UK	1	Bristow-Norman	BN-2A Defender	Transport	..	..	1977	1978	1	
		8	Alvis	Saracen FV403	APC	..	..	1977	1978	8	Unconfirmed order
	USA	..	Raytheon	MIM-23B Hawk	Landmob SAM	..	..	1977			Unconfirmed order
13 Rhodesia	South Africa	..	Atlas	Impsa-2	Trainer/COIN	..	..	(1978)	1978	20	Reportedly recently delivered
		(25)	Aerospatiale	SA-316B	Hel	..	..	(1978)	1978	(25)	Large increase in numbers reportedly in service between 1976 and 1978
		..	Aerospatiale/ Westland	SA-330L Puma	Hel	..	..	1978	1978	25	Reportedly delivered
	(USA)	11	Bell	Bell-205A-1	Hel	..	..	1978	1978	11	Purchased via private agent despite US embargo; civil version of Bell-205; now in service with AF
8 Saudi Arabia	France	200	Dassault	Mirage-4000	Fighter	..	..	2000			Deal believed cancelled, since USA approved sale of F-15A fighters
		250	Panhard	AML-90	AC	..	..	1976	1977	(125)	
		449	Giat	AMX-10P	AC	..	..	1976	1977	200	
		300	Rossum	AMX-30S	MBT	..	..	1973	1977	(100)	Special version of Crozat developed to meet Saudi request
									1978	(100)	
		..	Aerospatiale	MM-40 Exocet	ShShM	..	..	1978			
		..	Thomson Matra	Shahine	Landmob SAM	..	..	1974			
		8	..	P-32	PB	..	..	1976			
		..	Rheinmetall	Marder	APC	..	..	1977			Unconfirmed order
	FR Germany	..	Nurtano AC	C-212A	Transport	..	..	1978			Unconfirmed order from Indonesian licence production
	Indonesia	40	Agusta	S-61A-4	Hel	..	..	1977	1978	2	For AF VIP use
	Italy	2	Agusta	SH-3D Sea King	Hel	..	..	1977	1978	2	VIP version
		6	Kawasaki	KV-107 2A-4	Hel	100	..	1977	1978	6	For SAR use
	Japan	..	Fokker-VFW	F-28 MK-1000	Transport	..	..	1977			Delivery unconfirmed; sale may have been vetoed
	Netherlands	200	Bell	Bell-209 AH-1S	Hel	..	..	1976	1978	(50)	
	USA	(2)	Bell	Bell-212	Hel	..	..	1977	1978	(2)	At least 1 delivered
		1	Boeing	Boeing-747-131	Transport	..	..	1977	1978	1	
		17	Lockheed	C-130H Hercules	Transport	..	..	1976	1977	7	
									1978	10	

Source: Stockholm International Peace Research Institute, World Armaments and Disarmament SIPRI Yearbook 1979, New York, Crane, Russak & Company, Inc. 1979, pp. 232-233



# APPENDIX B

Associates, advisers and Consultants of Prime Minister Ohira Masayoshi

## Prime Minister Ohira Masayoshi

### POLITICAL CONNECTIONS

Matsumoto Shigaharu  
Director Kokusai Bunka Kaikan

Hogen Shinsaku  
Former Vice Minister Foreign  
Affairs

Yasukawa Takeshi  
Ambassador for External  
Economic Affairs

Kawamoto Kakuzo  
Chairman, Policy Research  
Committee, Liberal Democratic  
Party (LDP)

Tanaka Kakuei  
Former Prime Minister

Tanaka Faction  
About 70 Members

Ohira Faction  
About 50 Members

Suzuki Zenko  
Former Agricultural Minister

Miyazawa Kiichi  
Former Foreign Minister

Saito Kunikichi  
Secretary General, LDP

Sasaki Yoshitake  
Deputy Secretary General LDP

Ito Masayoshi  
Chairman, Finance Committee

Tanaka Rokusuki  
Chief Cabinet Secretary

Kato Koichi  
Deputy Chief Cabinet Secretary

Morita Hajime  
Chief Private Secretary

Nagatomi Yuichi  
Special Assistant

### LINKS TO THE BUSINESS WORLD

Sakurada Takeshi  
Former Chairman of Nikkeiren

Shumpokai  
An Association of  
Businessmen who  
Support Ohira

Imazato Hiroki  
Chairman, Nippon Seiko

Segawa Minoru  
Consultant, Nomura  
Securities

Tajitsu Ayumi  
Consultant,  
Mitsubishi Bank

Kagano Shigeo  
President, Japan  
Chamber of Commerce  
and Industry

Nakayama Sohsei\*  
Consultant, Industrial  
Bank of Japan

Minakami Tatsuzo\*  
Consultant, Mitsui Bussan

Honda Hirotoshi\*  
Consultant, Tokyo Gas  
Company

Tanabe Bunichiro\*  
President, Mitsubishi  
Corporation

Akikusa Atsuji\*  
President, NTT

Hyuga Hosai  
Chairman, Sumitomo Metal  
Chairman, Kansai Bank

Hotta Shozo  
Consultant, Sumitomo Bank

Saji Keizo  
President, Suntory

Saeki Isamu  
Chairman, Kinki Railway

Miyetaki Tokujiro  
President, Nippon  
Seiyaku

Kansai Zaikai  
Business Leaders Osaka  
Kyoto Area

Ashihara Yoshishige  
Chairman, Kansai Electric

Young Business Leaders

Tsutsumi Seiji  
Chairman Seibu Depart-  
ment Store

Kawai Ryoichi  
President, Komatsu  
Industries

Ishikawa Rokuro  
President, Kajima  
Construction Company

===== SHUMPOKAI

\*Hitotsubashi University Alumni

Translated from the Asahi Shimbun, June 7, 1979



## APPENDIX C

### CIVILIAN EMPLOYMENT BY ECONOMIC ACTIVITIES (1977)

(Percent Distribution)

Agriculture, forestry & fishing- - - - -	-11.9
Mining, Quarrying- - - - -	0.4
Manufacturing (Incl. defense industries) - - - - -	-25.1
Electricity, Gas & Water- - - - -	0.6
Construction - - - - -	9.3
Wholesale/retail trade, restaurants, hotels- - - - -	-22.3
Transport, Storage, Communication- - - - -	6.4
Financing, Insurance, Real Estate, Business Svcs - - -	3.4
Community, Social and Personal Services- - - - -	-20.5
Others - - - - -	0.2

Source: OECD/Keidanren and Keizai Koho Center, Japan  
Institute for Social and Economic Affairs.  
Some Data About Japanese Economy, Tokyo, p. 3.



## APPENDIX D

### RESOURCES IMPORTED

Energy  
(Million metric tons)

<u>Country</u>	<u>oil</u>	<u>total energy</u>
Japan	104.3	90.8%
France	106.2	80.6%
W. Germany	104.9	54.5%
UK	51.8	32.9%
USA	42.3	17.5%

### MATERIAL RESOURCES

<u>Country</u>	<u>Iron ore</u>	<u>copper</u>	<u>lead</u>	<u>zinc</u>	<u>bauxite</u>	<u>tin</u>	<u>nickle</u>
Japan	98.7	92.2	77.5	62.8	100	98.3	100
France	-	99.9	86.5	86.9	24.8	100	100
W. Germany	95.4	99.8	82.5	56.8	100	100	100
UK	-	100	99.0	98.6	100	80.6	100
USA	36.6	18.3	39.1	56.4	55.1	100	91.6

Source: Keidanren and Keizai Koho Center, Japan Institute for Social and Economic Affairs. Some Data About Japanese Economy 1980, Tokyo, 1980.

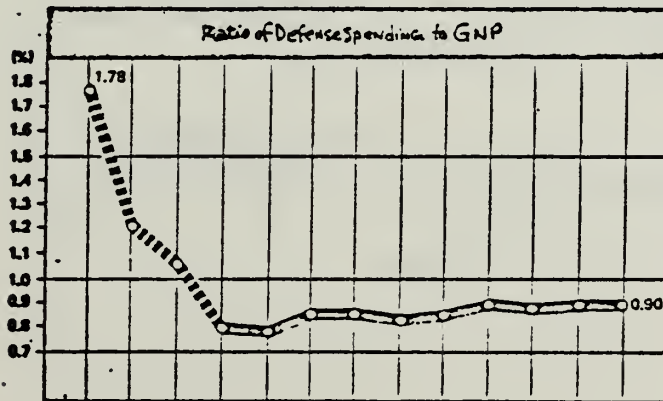


# APPENDIX E

## CHANGES IN DEFENSE EXPENDITURES

(Unit: ¥1 billion, %)

FY \ Item	GNP (initial forecast) (A)	General account (original) (B)	Growth from previous year	Defense budget (original) (C)	Growth from previous year	Ratio of defense budget to GNP(C/A)	Ratio of defense budget to general account (C/B)
1955	7,559.0	991.5	40.8	134.9	33.3	1.78	13.61
1960	12,748.0	1,569.7	10.6	156.9	0.6	1.23	9.99
1965	28,160.0	3,658.1	12.4	301.4	9.6	1.07	8.24
1970	72,440.0	7,949.8	17.9	569.5	17.7	0.79	7.16
1971	84,320.0	9,414.3	18.4	670.9	17.8	0.80	7.13
1972	90,550.0	11,467.7	21.3	800.2	19.3	0.88	6.98
1973	109,800.0	14,284.1	24.6	935.5	16.9	0.85	6.55
1974	131,500.0	17,099.4	19.7	1,093.0	16.8	0.83	6.39
1975	158,500.0	21,288.8	24.5	1,327.3	21.4	0.84	6.23
1976	168,100.0	24,296.0	14.1	1,512.4	13.9	0.90	6.22
1977	192,850.0	28,514.3	17.4	1,690.6	11.8	0.88	5.93
1978	210,600.0	34,295.0	20.3	1,901.0	12.4	0.90	5.54
1979	232,000.0	38,600.1	12.6	2,094.5	10.2	0.90	5.43

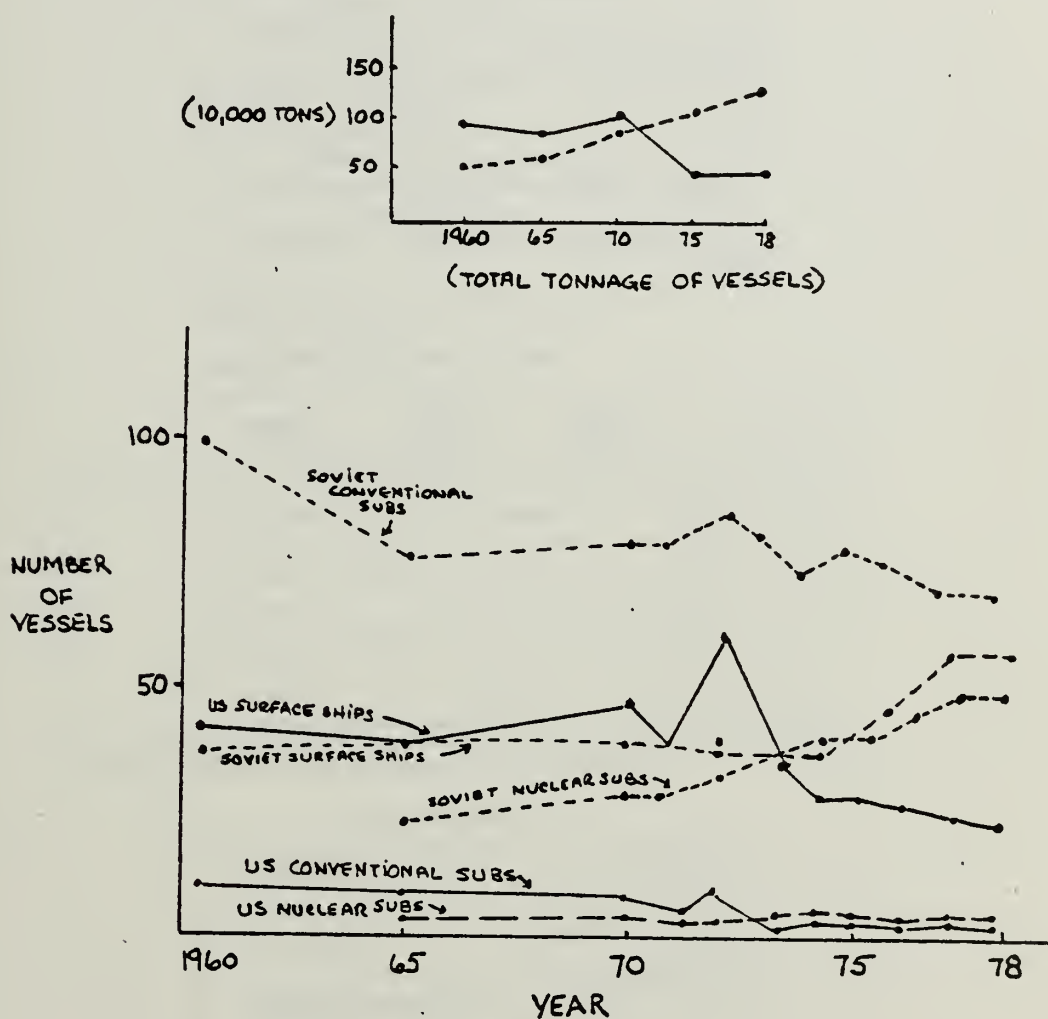


Source: Defense Agency, Japan, Defense of Japan 1979, Tokyo Defense Agency, Japan as translated by Mainichi Daily News, 1980.



## APPENDIX F

### CHANGES IN NUMBERS OF MAIN VESSELS OF THE U.S. 7th FLEET AND THE SOVIET PACIFIC FLEET

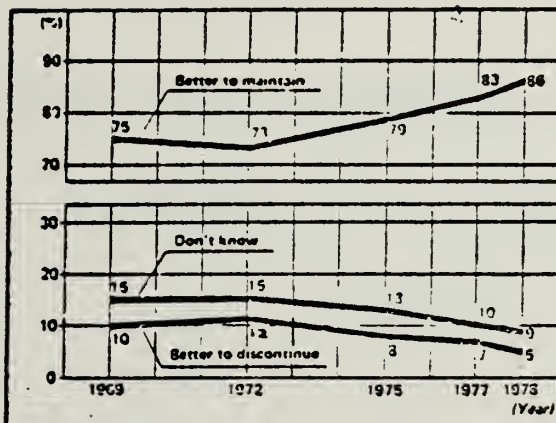


Source: Defense Agency, Japan, Defense of Japan 1979, Tokyo  
Japanese Defense Agency, 1980.



## APPENDIX G

### Necessity of SDF



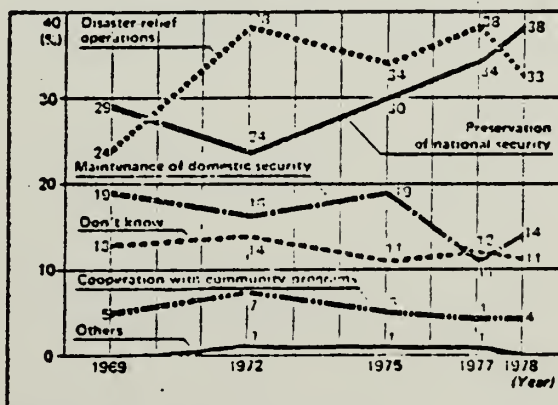
(Note) 1977 figures based on a Defense Agency survey.

### Scale of SDF (GSDF, MSDF, ASDF)

	Should be increased	Present level should be maintained	Should be reduced	Don't know
	22 (17) %	53 (54) %	6 (10) %	19 (19) %
	23 (18)	49 (51)	6 (10)	22 (21)
	23 (15)	48 (53)	7 (11)	22 (21)

(Note) Parenthesized figures based on the 1975 Prime Minister's Office survey.

### Future SDF Efforts



(Note) 1977 figures based on a Defense Agency survey.



## APPENDIX H

### JAPAN'S FOREIGN TRADE BY COUNTRIES & REGIONS

<u>Country</u>	<u>Exports</u> (US\$ million)	%	<u>Imports</u> (US\$ million)	(%)
USA	24,914	25.5	14,790	18.6
CANADA	1,871	1.9	3,190	4.0
EEC	11,104	11.3	6,072	7.6
AUSTRALIA	2,692	2.7	5,300	6.6
SO. EAST ASIA	23,101	23.6	17,293	21.3
MIDDLE EAST	10,745	11.0	20,777	26.1
LATIN AMERICA	6,620	6.7	3,047	3.8
AFRICA	4,444	4.5	944	1.2
CHINA	3,048	3.1	2,030	2.5
USSR	2,502	2.5	1,441	1.8
TOTAL	97,543	100.0	79,343	100.0

Source: Keidanren and Keizai Koho Center, Japan Institute for Social and Economic Affairs. Some Data About Japanese Economy 1980, Tokyo, 1980.



## NOTES

<sup>1</sup>Japan Center for International Exchange, A Handbook on Japanese Foreign Policy and Security, Japan Center for International Exchange, March 1978, p. 30.

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<sup>123</sup>Assessments of reality and pragmatic responses there-to has been a characteristic of Japanese leaders since the Meiji Restoration. In making such responses they have historically striven to attain equality with the West while maintaining the cultural and physical integrity of Japan. Therefore to expect them to accept "second class" status in the world order of nations would be tantamount to accepting a complete reversal of the Japanese psyche that has been moulded since the Tokugawa period. Increasingly frequent public speeches and statements by government and business leaders calling for a more active and independent, international role for Japan in world politics. At the same time, there is growing consensus among the Japanese people regarding the necessity of assuming an increased share of Japan's defense burden, if only to insure a measure of independent deterrent forces given the state of current relations between the US and Japan.



124<sup>124</sup>For additional background on the militaristic elements in Japanese society and their prospects for returning to a level of influence in the political and social life of modern Japan see Albert Axelbank's monography Black Star Over Japan.



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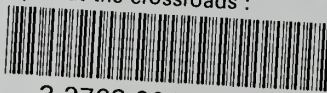
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