

*SECURITY ASSISTANCE TO JAPAN: ASSESSMENT OF POLITICAL,
MILITARY, AND ECONOMIC ISSUES FROM 1947 TO 1989*

THESIS

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AFIT/GLM/LAL/95S-14

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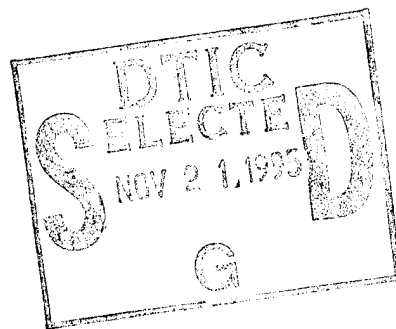
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THESIS

Presented to the Faculty of the Graduate School of Logistics
and Acquisition Management of the Air Force Institute of Technology
Air University

In Partial Fulfillment of the
Requirements for the Degree of
Master of Science in Logistics Management

David W. Puvogel, B.S.
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September 1995

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David W. Puvogel

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Abstract

Japan is an important ally of the United States in part due to its strategic location at the intersection of China, Korea, and the Soviet Union. Japan is vital to the maintenance of regional stability and has been used by the United States in the East Asian balance of power. The relationship changed through time from the American occupation after World War II , to the rebuilding phase of Japan's economy, and finally a progression towards a more independent Japan capable of a larger portion of self-defense. The rebuilding process of Japan was carried out largely by the United States and its various programs of security assistance. The United States used security assistance to show support for the United States-Japanese alliance, rebuild Japan's economy, and gain access to Japanese bases for military purposes of regional stabilization. Japan was effective in using United States security assistance to their advantage to achieve their goals. The end result of United States security assistance for the United States was an ally to counter communism, a major trade partner, and a strategic ally which served United States needs in two major conflicts.

***SECURITY ASSISTANCE TO JAPAN: ASSESSMENT OF POLITICAL,
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I. Introduction

General Issue

Japan is an important ally of the United States in part due to its strategic location at the intersection of China, Korea, and the Soviet Union. Japan is vital to the maintenance of regional stability and has been used by the United States in the East Asian balance of power. The relationship changed through time from the American occupation after World War II , to the rebuilding phase of Japan's economy, and finally a progression towards a more independent Japan capable of a larger portion of self-defense. The rebuilding process of Japan was carried out largely by the United States and its various programs of security assistance.

Security assistance refers to the range of United States programs and other authorities for provision of defense assistance and economic support and the transfer or sale of defense items. The Department of Defense defines security assistance as follows:

Groups of programs authorized by the Foreign Assistance Act of 1961, as amended, and the Arms Export Control Act (AECA) of 1976, as amended, and other related statutes by which the United States provides defense articles, military training, and other defense related services, by grant, loan, credit, or cash sales in furtherance of national policies and objectives. (DISAM, 1994: 37)

Statement of Justification

Security assistance is an important component of United States foreign policy. Since World War II, the United States has provided security assistance to Japan. The United States and Japan have maintained close political, economic, and military ties since World War II and Japan is one of the United States' closest allies. Japan is considered the cornerstone of American foreign policy in East Asia. Japan currently has the second largest economy in the world, yet relies heavily on the United States for security. A better understanding of the issues that impact security assistance is essential for the United States to achieve its objectives of foreign policy.

Problem Statement

A need exists to identify the political, economic, and military issues which influenced the execution of United States security assistance to Japan from 1947 to 1989. This thesis identifies the issues that influenced the execution of United States security assistance to Japan. It also identifies the goals of the United States security assistance program and the contributions made to Japan.

Limitations and Assumptions

The research effort was limited to unclassified material. It was necessary to assume that issues that influenced the execution of United States security assistance policy and the intent of United States security assistance policy could be ascertained from official records of the legislative review process, bills, laws, enactments, and other unofficial statements of policy.

II. Methodology

Research Objective

The objective of this research is to gain a better understanding of United States foreign policy towards Japan and how foreign policy is affected by the security assistance program. To assess the issues that affect security assistance, it is necessary to have a basic understanding of security assistance. Issues can be better understood in light of past experiences. Historical research can help explain past trends and draw conclusions to be applied to future events. A better understanding of security assistance may be utilized in making wiser future decisions.

Research Method

This study assesses the political, economic, and military issues which influenced the execution of security assistance policy. Moseley says historians tend to assess rather than conclude. Historians try to develop explanations by judging the relative importance of various factors on events. The judgments can lead to conclusions but not necessarily a final answer (Moseley, 1981: 38). The end result will be a complete description of the specific case that will provide a greater insight (Schmitt, 1991: 117). The comparative method of triangulation will be used to make inferences regarding security assistance policy. Where several issues are discovered to coexist over a long period, comparison of their relationships at different points in time may reinforce hypotheses concerning a causal connection between them (SSRC, 1954: 79). Multiple sources of evidence essentially provide multiple measures of the same phenomenon (Yin, 1984: 23). Historical data must be critically tested with both internal and external criticism. External criticism attempts to determine the origin and authenticity of the data's source document. This will be accomplished by considering the author, when the document was written, and possible

corruption of the data. Internal criticism focuses on the statements within the document and attempts to determine the "true" meaning of the statements. Internal criticism will be accomplished by comparing similar and opposing views from multiple sources and choosing the most probable explanation (Moseley, 1981: 39; SSRC, 1954: 80).

The methodology for this research will be an ex-post facto literature review. The subject matter will be divided into eras based on United States presidential tenures during which the respective presidents influenced the United States policy execution. Era profiles will be constructed which will include significant political, economic, and military issues. Significant issues will be defined as issues which appeared to affect, change, or prevent change in security assistance policy. Examples of significant issues are legislative acts concerning security assistance, changes in national leadership, and global or regional events which had a major impact on the United States or Japan. Within each era, the qualitative data will be compared with quantitative data. Congressional legislation and stated national policy will be compared with the actual amounts of grant aid, foreign military sales, gross national product (now referred to as gross domestic product), and percent of gross national product spent on defense. In this manner, the potential problems of construct validity can be addressed. The era profiles will be compared to yield similarities and contrasted to yield differences. The era profiles will also be used to illustrate long term trends across eras.

Data Sources

The primary sources for data were local libraries and electronic databases such as Defense Technical Information Center (DTIC) and First Search. Data regarding official administration policy and opposing views were collected from hearings, reports, and bills of the Senate Foreign Relations Committee and the House of Representatives International Relations Committee to determine the issues affecting legislation.

Periodicals such as Far Eastern Economic Review were used to collect data on the current views and events of Japanese-United States relations. Data were also collected from published and unpublished reports, magazine articles, professional journals, newspapers articles, theses, and books.

III. Literature Review

General Issue

The Defense Institute of Security Assistance Management (DISAM) formally divides security assistance into seven programs:

1. Foreign Military Sales (FMS) and Foreign Military Construction Sales

Program

FMS is a non-appropriated program through which eligible foreign governments purchase defense article, services, and training from the United States Government. The purchasing government pays all costs that may be associated with a sale. Under FMS, military articles and services, including training, may be provided from DoD Stocks or from new procurement. If the source of supply is new procurement, on the basis of having a Letter of Acceptance (LOA) which has been accepted by the foreign government, the United States Government agency or military department assigned cognizance for this "case" is authorized to enter into a subsequent contractual arrangement with United States industry in order to provide the article or service requested.

Foreign Military Construction Sales involves the sale of design and construction services to eligible purchasers. The construction sales agreement and sales procedures generally parallel those of FMS.

2. Foreign Military Financing Program (FMFP)

FMFP has undergone a variety of substantive and terminological changes in recent years. At present, the program consists of Congressionally appropriated *grants and loans* which enable eligible foreign governments to purchase United States defense articles, services, and training through either FMS or direct commercial sales (DCS) channels. The FMFP originally served to provide an effective means for easing the transition of foreign governments from grant aid (i.e., MAP and IMET) to cash purchases.

Prior to FY 1989, this financing program was variously identified as the Foreign Military Sales Credit (FMSCR) Program or the Foreign Military Sales Financing Program (FMSFP). In the Fiscal Year 1989 Appropriations Act, Congress introduced a new title, the Foreign Military Financing Program (FMFP), and the "forgiven loan/forgiven credit" component of the program was identified as "FMFP grants" to distinguish them from repayable direct "FMFP loans." It should be noted, however, that the various documents written before FY 1989 employ the phrase Foreign Military Financing (FMF).

Additionally, in FY 1990, the former Military Assistance Program (MAP), was formally merged with the FMFP as Congress adopted a Reagan Administration proposal for integrating all MAP grant funding into the appropriations account for the FMF Program.

3. Direct Commercial Sales (DCS) Licensed under the AECA

A direct *commercial sale licensed under the AECA* is a sale made by United States industry directly to a foreign buyer. Unlike the procedures employed for FMS, direct commercial sales transactions are not administered by DoD and do not involve a government -to-government agreement. Rather, the United States Governmental "control" procedure is accomplished through licensing by the Office of Defense Trade Control in the Department of State. The day-to-day rules and procedures for these types of sales are contained in the *International Traffic in Arms Regulations (ITAR)*.

4. The International Military Education and Training (IMET) Program

IMET provides training in the United States and, in some cases, in overseas United States military facilities to selected foreign military and related civilian personnel on a grant basis. In earlier years, grant aid training of foreign military personnel was funded as part of the MAP appropriation. Starting with FY 1976, a separate authorization for IMET was established in the FAA.

In 1980, the FAA was amended to authorize IMET tuition costing in terms of "the additional costs that are incurred by the United States Government in furnishing such assistance." The AECA was also amended to allow IMET recipient to purchase FMS training on an "additional cost" basis. The practical effects of these changes were to substantially reduce tuition costs for IMET-funded students, and thereby increase the amount of training an eligible country can obtain with its IMET grant funds and through FMS purchases.

5. The Economic Support Fund (ESF)

The ESF is authorized by the Foreign Assistance Act. This fund was established to promote economic and political stability in areas where the United States has special political and security interests and where the United States has determined that economic assistance can be useful in helping to secure peace or to avert major economic or political crises. ESF is a flexible economic instrument which is made available on a loan or grant basis for a variety of economic purposes, including balance of payments support, infrastructure, and other capital and technical assistance development projects. While a substantial amount goes for balance of payments type aid, the ESF also provides for programs aimed at primary needs in health, education, agriculture, and family planning. Where long-term political and economic stability is the primary concern, ESF finances projects that meet the basic needs of the poor.

The ESF program was formerly named "Security Supporting Assistance." The International Security Assistance Act of 1978 repealed the legislative authorities for Security Supporting Assistance and provided new authorities for an Economic Support Fund and also for a Peacekeeping Operations fund. This legislative change served to reflect more accurately the purposes of these funds and to make a more explicit differentiation between politically important economic aid, peacekeeping, and military assistance programs.

The ESF program is administered by the United State Agency for International Development (AID) under the overall policy direction of the Secretary of State. AID consists of a central headquarters staff in Washington, D.C., and missions and offices overseas.

6. Peacekeeping Operations (PKO)

PKO are authorized by the Foreign Assistance Act. For the past several years, PKO provided funds for the Multinational Force and Observers (MFO) which implemented the 1979 Egyptian-Israeli peace treaty, and the United States contribution to the United Nations Force in Cyprus (UNFICYP).

7. Nonproliferation and Disarmament Fund (NPD)

The Clinton Administration proposed a new program of security assistance for FY 1994 to address the problem of the proliferation of weapons of mass destruction. (DISAM, 1994: 41-46)

According to the Congressional Presentation Document, security assistance has five primary objectives:

1. Increasing the ability of United States security partners to deter and defend against aggression, and to shoulder more of the common defense burden.
2. Helping to maintain strong and cohesive defense arrangements with friends and allies, and to secure access to important military facilities throughout the world.
3. Promoting regional stability by arms transfer controls on the volume and types of weaponry provided to security assistance recipients.
4. Strengthening the economies of countries with which the United States has a security relationship and, when necessary, helping those governments toward market oriented economic policies.
5. Fostering human rights, democratic values and institutions. (US DoS and US DoD, 1993: 4)

The three underlying interdependent aspects of security assistance were political, economic, and military. This research focused on the influence of these aspects in the execution of United States security assistance to Japan.

IV. Historical Background

Introduction

United States national interests in Asia have fundamentally been to preserve peace, thwart any threat to the United States, and to preserve United States access to the region. The United States sought to influence the countries of Asia and assure access to raw materials and markets of the region (Sneider, 1981: 64, 65).

Japan's foreign policy was a carefully calculated set of actions that blended well-timed verbal endorsements of United States overall policy, disassociation from any overt role in United States interventions, lucrative back-stage support within limits, and continual self containment measures all aimed at reducing risk (Pharr, 1993: 246). That strategy provided the rationale for the implementation of Japan's overall security posture. In the 1950s the policy was exemplified by Prime Minister Yoshida's resistance to both Japan's major rearmament and Japan's participation in regional security. Japan's basic defense strategy was to possess sufficient capability to repel a limited invasion long enough for the United States to shift its Pacific forces to support Japan. The fundamental tenets of Japan's security policies are found in Article 9 of Japan's Constitution. It states:

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

In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of state will not be recognized. (Kamiya, 1981: 144)

The demarcation between offensive and defensive weaponry is arbitrary. Through technological advances and qualitative improvements, Japan developed a more potent war fighting machine. Despite the increased warfighting capability, Japan continued to

proclaim strict adherence to the constitutional principles due to the fact that the military establishment was euphemistically called the ground, air, and maritime self-defense forces, suggesting the defense forces could not be used offensively (Maswood, 1990: 3). Japan also set clear limits on defense expenditures. In the earlier years, the limit was defined by successive long-term defense plans which were replaced by the one percent ceiling on defense spending in 1976.

The initial period of economic recovery for Japan lasted approximately five years and was marked by rapid growth of labor intensive, low-technology industries and agriculture during the 1950s. In the 1960s Japan concentrated on heavy and chemical industries. The 1970s saw the change to high-technology industries, and with economic prosperity, attention was given to social and physical infrastructure (Scalera, 1979: 272).

Japan was vulnerable to world conflicts due to its near total reliance on natural resources from foreign countries. The United States provided the security of sea lanes and a global economy which allowed Japan to prosper. The transformation of Japan after World War II into the world's most dynamic economy was also due in part to United States economic assistance and technology transfer, particularly in the aircraft industry (Rigsbee, 1989: 255).

Truman Era (1945-1953)

The first and most basic objective of the American occupation was the demilitarization of Japan, since Japanese military expansionism was viewed at the time as the one overriding problem in East Asia. The army and navy were completely demobilized and their ships and weapons were destroyed (Reischauer, 1977: 105). The Occupation authorities not only established a democratic polity but also institutionalized the noble objective of non-violence as an additional guarantee against militarism (Maswood, 1990: 2).

The role of the emperor in the new political system was drastically redefined. On January 1, 1946, at the prompting of MacArthur, Emperor Hirohito made a speech renouncing his status as a divine ruler. The government of Prime Minister Shidehara Kijuro drafted a new constitution, which was subject to approval by General Douglas A. MacArthur. It was ratified by the House of Peers and the House of Representatives on November 3, 1946, and put into effect on May 3, 1947. The ideological bases of the new Constitution were popular sovereignty, human rights, and renunciation of war. Whereas the previous Meiji Constitution was described by its authors as a gift of the emperor to his subjects, the 1947 document was bestowed by the people or their representatives on themselves. In the new Constitution the emperor was described as "the symbol of the State and of the unity of the people, deriving his position from the will of the people with whom resides sovereign power." The functions of the emperor were transformed to be ceremonial only and not related to government. The "highest organ of state power" was to be the National Diet which was accountable not to the emperor but to the people who elected it (Seekins, 1983: 250-251).

During the seven-year occupation of Japan, the United States undertook comprehensive reforms to restructure and democratize all aspects of Japanese society, writing a new constitution and instituting radical and sweeping economic and social reforms. Reischauer called the new Constitution the single most important reform of the occupation as the revision eliminated the constitutional flaws which had helped block democracy before the war (Reischauer, 1964: 214). Japan matured as a kind of democratic-capitalist offspring of the United States, a close anti-Communist ally, a defense satellite in the Cold War, and a salubriously interdependent economic partner (Hellmann, 1992: 151). The American Supreme Commander for the Allied Powers (SCAP), with headquarters in Tokyo, was the highest authority in Japan from September 1945 until May 1952.

At the end of World War II, the region saw the Soviets in charge of Manchuria, southern Sakhalin, the Kurile chain, and North Korea. The Americans moved forces into South Korea and the Ryukyus. In 1946 as Japan was being demilitarized, the United States and the Soviets were at odds regarding the shape of the postwar world, especially divided Korea. China was in the midst of a civil war. Prime Ministers Shidehara Kijuro, Yoshida Shigeru, and Ashida Hitoshi all believed that Communist expansion was a primary threat to Japan (Weinstein, 1971, 10). Due to the newness of democracy in Japan, it was felt that the Japanese might be susceptible to a relapse and a large military establishment might have been harmful to the stability of Japan (Maswood, 1990: 13).

The end of World War II left Japan in a state of economic disarray. In 1947, there was still little indication the Japanese economy was at more than a standstill. Industrial production was less than fifteen percent of the 1941 figure, and agricultural output was inadequate to feed the population. Food shipments from the United States kept the Japanese people alive. On March 17, 1947 the Supreme Commander for the Allied Powers, General Douglas MacArthur, called for a peace treaty and an end to the blockade to enable the Japanese to acquire raw materials necessary for rebuilding of their country (Weinstein, 1971: 14). The Japanese situation would remain a burden on the American economy until Japan became self sufficient. In addition to establishing a strong Japanese economy, the goals of the American government were to build a defensive force in Japan to deter the Soviet Union and to increase internal security to resist a communist takeover from within the government.

On May 22, 1947, President Harry S. Truman signed a bill that became known as the Truman Doctrine; it promised United States' aid to "free peoples who are resisting attempted subjugation by armed minorities or outside pressures" (Borklund, 1991: 152). The Japanese were susceptible to both outside aggression from communist China and the Soviet Union, and internal desires of the Japanese communist party wishing to take over

the Japanese government. Left on its own, Japan would have been faced with ruinous inflation and budget deficits which would have destroyed the economy and provided an opportunity for communist agitation (Reardon, 1987: 245).

On the economic side, all excess industrial capacity beyond the needs of a completely demilitarized country were declared available for reparations to Japan's war victims. In reality there was no excess capacity and the true state of Japan was an industrial deficit (Reischauer, 1977: 106). There had been a clear perception in the Japanese government that the primary objective of national policy was to establish a viable, competitive industrial economy and a stable, effective political system. Those goals were contingent on foreign policy and the security and economic dimensions of foreign policy were inextricably linked. Japan being an island nation with few natural resources, successful industrialization depended on overseas access (Weinstein, 1993: 218).

In the ongoing difficulties with the Soviets, President Truman proposed to the United Nations that the United Nations establish control over all fissionable materials from which nuclear weapons could be made. The Soviet Union vetoed the proposal in the United Nations Security Council. July 26, 1947 President Truman signed into law the National Security Act of 1947. The act created the "National Military Establishment," and was implemented with the swearing in of James V. Forrestal as the first Secretary of Defense on September 17, 1947. The act also established the National Security Council (NSC) which was chaired by the President and consisted of the Secretary of State, Secretary of Defense, the Secretaries of the three Armed Services, the Chairman of the National Security Resources board, and such other persons as the President might designate from time to time "with the advice and consent of the Senate" (Borklund, 1991: 152). A portion of the act provided a comprehensive program for the future security of the United States, and provided for the establishment of integrated policies and procedures

within the Government (United States Department of Defense, 1978: 35). The security plan for the United States included a democratic Japan and the use of bases in Japan to bolster regional security in East Asia.

In September 1947 Foreign Minister Ashida wrote a memorandum stating the Japanese government's position on regional security. Foreign Minister Ashida's goals fit in well with the recently approved National Security Act. The memorandum stated that Japan would suppress internal riots and wished to enter a special agreement with United States to oppose external aggression. Japan wanted the United States to guarantee security while it built up its ground and sea forces. Foreign Minister Ashida's memorandum on security policy in 1947 was strong evidence that the Japanese leaders had a well-thought-out defense policy, based on their own strategic views, several years before the United States Government formulated its Far Eastern security policy. Japan also appeared to give the Chinese threat very little weight. For the Japanese Government the most pressing foreign policy problem in the aftermath of World War II was to find a way for Japan to exist as an independent political entity in a world dominated by United States and Soviet military powers (Weinstein, 1971: 128-129).

Prime Minister Yoshida Shigeru and Foreign Minister Ashida viewed the United States as an essential ally to protect Japan's economic well-being. American naval and air power could protect Japan from the Soviet Union and ensure its access to world trade. The Soviet Union on the other hand was incapable of protecting Japan and ensuring the same trade access. Japan had learned from World War II that access could not be gained by military means. Prime Minister Yoshida concluded that they must avoid military roles in international politics and rely on peaceful, nonmilitary means to build their economy (Weinstein, 1993: 219). Yoshida also believed that the full-scale, rapid rearmament sought by the Americans was excessive. Yoshida believed that the Japanese could concentrate on economic reconstruction in an alliance with the United States that provided

protection against the communist threat and a nuclear deterrence. To provide more support for Japan's reluctance to rearm, Yoshida cited public opposition to rearmament and fears of Japan's Asian neighbors (Pharr, 1993: 239; Maswood, 1990: 14).

The first major change in United States policy toward Japan occurred in 1948. With the emergence of the cold war and the mounting triumphs of the Communists in China, the United States abruptly reversed course, dealing with Japan not as a defeated aggressor and primary threat to peace but as a major and essential ally (Hellmann, 1972: 123). Democratization and demilitarization were now replaced by the new top priorities of political stability and economic rehabilitation. On August 10, the Defense Reorganization Act of 1949 created the post of Chairman of the Joint Chiefs of Staff and strengthened the Joint Staff at the expense of the staffs of the Army, Navy, and the Air Force. The act also increased the "authority, direction and control" of the Secretary of Defense over the National Military Establishment, which was renamed the Department of Defense. Probably the most important part of the act was the Title IV addition to the 1947 National Security Act of 1947 that ordered the "establishment of uniform budgetary and fiscal procedures throughout the Department." In short, the Secretary of Defense was given control of the cash flow (Borklund, 1991:154-155). In 1949 the Joint Chiefs reaffirmed their view of the advantages of having Japan as an ally. They suggested planning for post-treaty Japanese ground and sea forces to repel an invasion of Japan (Reardon, 1987: 247).

President Truman initiated a departure from isolationism by beginning the security assistance program. Truman was dedicated to collective defense through alliances, treaties, and contracts. Monetary authorizations to foreign countries increased significantly. During the Truman era, security assistance evolved from an economic assistance policy to the beginnings of a military assistance policy. In May 1950 Dean Acheson announced the decision to provide economic and military aid to Vietnam. It was

the first step toward direct United States involvement in Vietnam (Borklund, 1991: 155). The increased United States involvement demonstrated to the Japanese, a genuine American concern regarding the regional security of East Asia. At the same time, Prime Minister Yoshida secretly proposed that United States forces remain in Japan to provide for Japan's defense. Yoshida was most concerned with the internal threat posed by Japanese Communists and the instability in Korea, but not with the threat of external Communist forces (Pharr, 1993: 239). In June of 1950 North Korea invaded South Korea after most United States combat forces were withdrawn due to the United States defense spending ceiling.

In 1950, Japan was still extremely weak militarily and economically. The Japanese felt threatened by communist expansionism and the battle for the Korean peninsula. The People's Republic of China and the Soviet Union were backing North Korea in the Korean War. To relieve some of the defensive burden from the United States, a 75,000-man national police reserve force and an 8,000-man Maritime Safety Agency (MSA) were formed in 1950 by General Douglas MacArthur. Following the June 1950 attempts of foreign policy advisor to the State Department, John Foster Dulles, to have Japan agree to rebuild their military forces to 350,000 men, in January 1951, General Douglas MacArthur launched an effort to encourage the Japanese into a burden-sharing framework by calling on them to rearm and provide for their own self-defense (Pharr, 1993: 237). Although the Japanese could not participate directly in the Korean conflict, the Japanese were able to help United States forces in the Korean War despite the previous demilitarization. The Japanese minesweeping fleet was instrumental in United States forces landing on the Korean peninsula. The fleet would have been dismantled had it not been for the Korean War (Maswood, 1990: 28). The Japanese agreed to build a 180,000 person force and reactivated dormant armaments factories to aid the United States in the Korean War effort. Pushing the Japanese to spend too much on defense carried the risk of weakening

the Japanese economy which might have led to a communist insurgency. To exhibit a stance against communism and to aid the United States in the containment of Communist China, Japan recognized the Republic of China on Taiwan. The recognition of the Taiwanese all but eliminated an important market for the Japanese. Before the Taiwanese recognition, imports from mainland China accounted for twelve percent of Japan's trade and the Chinese received eighteen percent of Japan's products. After restrictions with Communist China were imposed, both imports and exports dropped below two percent of Japan's total trade (Allen, 1958: 199).

The Mutual Defense Assistance Control Act of 1951 formalized military assistance through grant aid. The purpose of the Military Assistance Grant Aid Program (MAP) was to provide for internal security, self-defense, and mutual defense capability to safeguard the security of the United States and its allies. This aid was provided to allies, unable for economic reasons, to provide deterrent forces through their own means. Aid was given to buy concessions of base rights in strategic locations.

Establishing a United States policy toward Japan between World War II and the Korean War was hampered by the constant turmoil in East Asia. The consistent policy was to contain communism. The United States was committed to protecting Japan from communism and with the outbreak of hostilities in Korea, the United States took a stand against the Chinese. The Cold War in Asia transformed Japan from a defeated enemy into an ally of the United States (Reardon, 1987: 272). The United Nations Unified Command was located in Japan and staffed primarily by Americans during the Korean War. Though Japan was unable to contribute directly to the war effort with personnel, it was apparent that a United States presence in Japan was necessary (Weinstein, 1971: 45). During the Korean War era, the United States security assistance policy was characterized by increased grant aid programs (reference figure 4-1). Although Japan did not receive contributions from the Military Assistance Program until 1955 (reference figure 4-2), the

Korean War may have compelled the United States to offer a unilateral guarantee for Japan's defense. The Korean War was an economic boom for Japan, with direct and indirect procurement making up 63 percent of Japan's exports at the height of the war (Pharr, 1993: 238,240; Savada, 1992: 33). In 1951 Japan's exports increased by 165 percent over the 1949 level. Large amounts of foreign currency began to flow into Japan in exchange for goods and services provided to United Nations forces (Allen, 1958: 166).

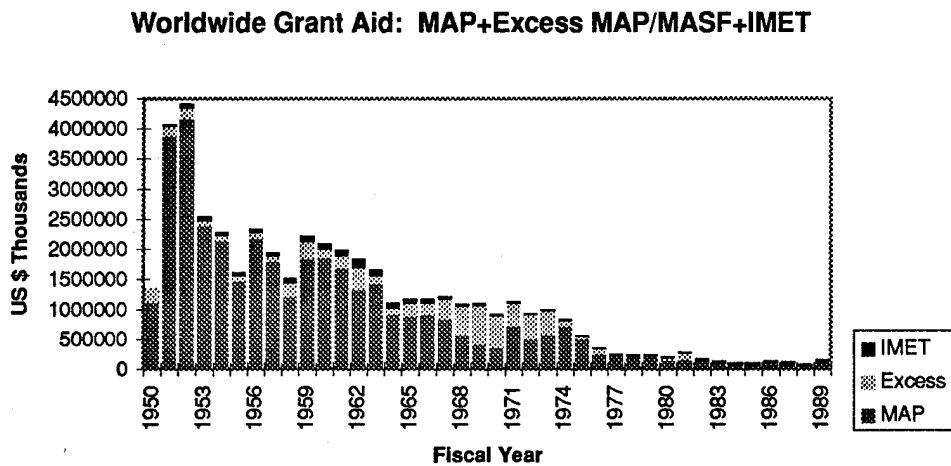


Figure 4-1. Worldwide Grant Aid (United States DoD and United States DoS, 1993: 3)

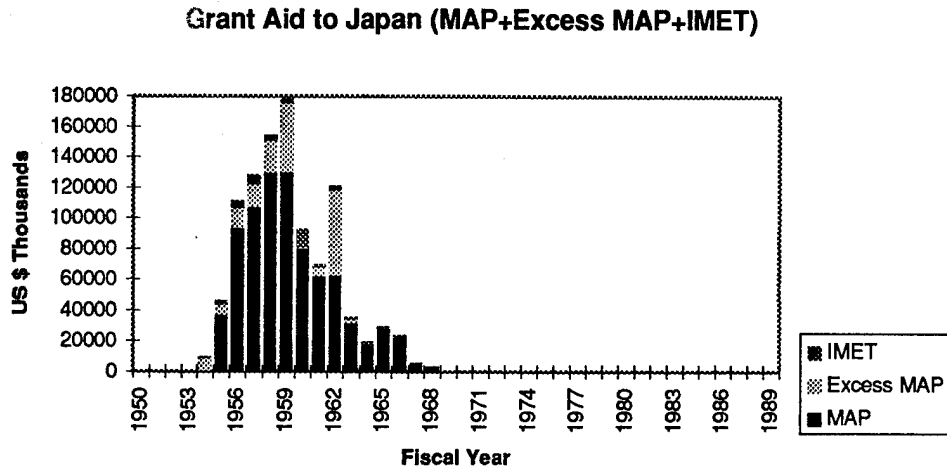


Figure 4-2. Grant Aid to Japan (United States DoD and United States DoS, 1993: 29)

On September 8, 1951 a Peace Treaty between the United States and Japan was signed. The central issue was not the settlement of issues related to the Pacific War, but securing an alliance with Japan to check Communist expansion in Asia (Hellmann, 1972: 123). A bilateral Security Treaty was made effective simultaneously with the Peace Treaty. A provision in the Security Treaty made possible the continued deployment of large numbers of United States personnel for the logistical needs of the Korean War and also committed the United States to the defense of Japan. The treaty took effect on April 28, 1952. The agreement was not a reciprocal agreement and did not pledge Japanese support to help defend the United States. Japan also did not incur any regional security commitments.

The bilateral security agreement in 1952 helped to bring Japan out of isolation and provided a basis for its reentry into the world of nation-states (Pharr, 1993: 240). As the leader of Taiwan, who also claimed to be the head of all China, Chiang Kai-shek waived all reparation obligations regarding China. Since it was Chiang Kai-shek's government

which had actually been at war with Japan, the Japanese signed the 1952 peace treaty with Taiwan.

Activity in the Japanese aircraft industry lay dormant for seven years following 1947. In 1952, the aircraft industry was allowed to resume operations with the repair and overhaul of United States military aircraft (Rigsbee, 1989: 256). In 1955 the aircraft industry would be partially supported by the Military Assistance Program (reference figure 4-3). The national police reserve force and MSA were converted into a National Security Corps with ground and naval forces in 1952.

Eisenhower Era (1953-1961)

President Eisenhower proposed to the United Nations General Assembly an “Atoms for Peace” plan, essentially repeating Truman’s earlier proposal that all the world’s fissionable and other materials capable of producing a nuclear bomb be placed under control of a United Nations-managed International Atomic Energy Agency. The Soviets vetoed the proposal in the United Nations Security Council (Borklund, 1991: 156). The Soviet veto strengthened the commitment of the Japanese to a policy of alignment with a superpower in a bipolar cold war.

As Korean peace talks began, President Eisenhower’s New Look was introduced during the summer of 1953. The New Look of military force structure meant, largely, a reduction in deployed military forces contingent on their being capable of rapid airlift redeployment. He also added that the United States would be responding to military aggression “not in kind but at places and with weapons of our own choosing,” and the United States strategy concerning communism was to “contain communism” within the borders of the countries in which it was already in control (Borklund, 1991: 158).

In 1954 the United States returned the northern Amami island of the Ryukyu chain to Japan, but retained the Okinawa prefecture. Restrictions on the use of bases on

mainland Japan led to increased importance of holding on to Okinawa due to its military significance during the buildup leading to the Vietnam war (Reischauer, 1977: 348).

Reparation agreements were signed with Burma in November 1954. Payments were made in Japanese goods and services. Reconciliation was always a primary goal of the Japanese Prime Ministers and the reparations were aimed at restoring normal diplomatic and economic relations with the region.

In 1954, the National Security Corps was reorganized and combined with air defense units into the Self-Defense Forces (SDF). The Self-Defense Forces were comprised of ground, naval, and air arms that were limited to a maximum total of 152,110 personnel (Nakada, 1980: 171). The Self-Defense Forces were the military units governed by the Japanese Defense Agency and entrusted with Japan's territorial and sea-lane defense. The Japanese Defense Agency oversaw the implementation of defense policies formulated with their participation and approved by the cabinet level National Security Council (Chinworth, 1992: 9). In March 1954, the Mutual Defense Assistance Agreement (MDAA) with United States was signed. The Mutual Defense Assistance Agreement provided for broad exchanges of defense equipment, materials, and technology. That agreement provided a proper legal basis for the furnishing of military equipment and technology to Japan and grant aid was started to Japan (reference figure 4-2).

The Mutual Defense Assistance Agreement also clarified the contribution expected of Japan to support United States forces in Japan. A United States goal of the agreement was defense capacity development, taking into consideration the economic stability of Japan as the basis for the extent they were expected to contribute. Japan had progressed past the point of complete reliance and was expected to provide for a portion of its own security (Reed, 1983: 7).

In the mid 1950s, Japan was slowly recovering both economically and militarily. By 1955, financial stability was restored and manufacturing production was more than twice that of the 1930s (Allen, 1958: 181). In 1955, aircraft production resumed, under the auspices of the Military Assistance Program, with licensed coproduction of United States F-86 aircraft by Mitsubishi Heavy Industries Company Limited and T-33 aircraft by Kawasaki Heavy Industries Company Limited. Under the Military Assistance Program (reference figure 4-3), the United States partially funded the production costs of the aircraft. Mitsubishi and Kawasaki also participated later in commercial subcontracting, making civilian aircraft for the United States. The Japanese coproduced 210 T-33s and 300 F-86s from 1955 to 1961 (Rigsbee, 1990: 256).

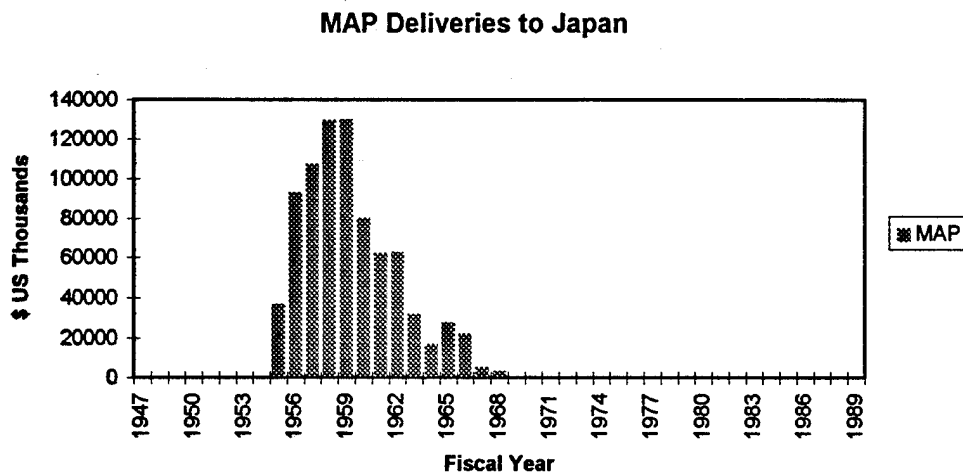


Figure 4-3. MAP Deliveries to Japan (United States DoD and United States DoS, 1993: 29)

Japan was continuing to make progress regarding acceptance by other nations. On September 10 1955 Japan joined GATT (General Agreement on Tariffs and Trade) and reparation agreements were signed with the Philippines in May 1956. The prevailing view

of the world was East and West led by the Soviet Union and the United States and their different ideologies and political systems (Sato, 1981: 53). In 1956 a termination of hostilities was negotiated with the Soviet Union. The Soviets then dropped its veto of Japan joining the United Nations and on December 12, 1956 Japan was admitted. The Japanese had achieved the goal of rejoining the world community of nations and were considered a middle income state rather than a backward country (Sato, 1981: 56).

Both the Japanese and the United States military were undergoing changes. In 1956 the Japanese National Defense Council was established and in May 1957 the Basic Policy for National Defense was adopted which completed the basic national security structure. The first of successive long-term defense plans was implemented in fiscal year 1958. The plans provided guidelines for the quantitative buildup of the Self-Defense Forces for three year periods (Maswood, 1990: 31). On August 6, 1958 President Eisenhower signed into law the Department of Defense Reorganization Act of 1958.

As further evidence of Japan's economic recovery, in 1958 Japan extended the equivalent of \$50 million in credits to India to mark the beginning of its foreign aid program. Subsequent cases involved Ceylon, Malaysia, Taiwan, Pakistan, and South Korea. The credits were tied closely with projects that promoted land and equipment purchases from Japan (Tsukahira, 1983: 331).

President Eisenhower reversed President Truman's trend of increased military and security assistance spending. The Korean War had ended and the Soviet threat to Japan diminished due to the new leadership in the Soviet Union. Japan was also much more capable economically. The Japanese started purchasing United States military equipment through the Foreign Military Sales program beginning in 1956 (reference figure 4-4).

FMS Agreements to Japan

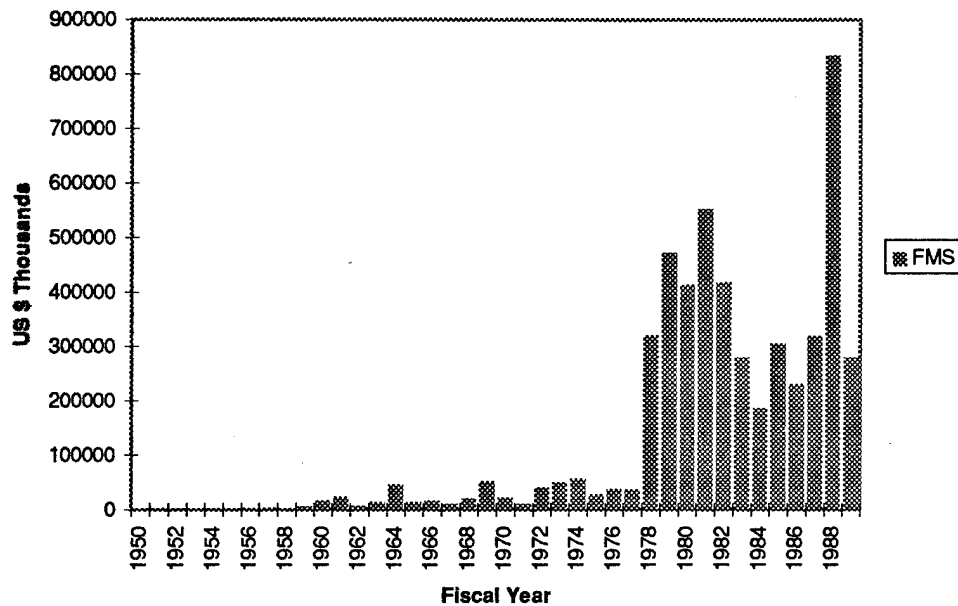


Figure 4-4. FMS Agreements With Japan (United States DoD and United States DoS, 1993: 28)

Tension between the United States and the Soviet Union were heightened when a United States U-2 reconnaissance aircraft was downed by an engine flame-out over the Soviet Union, resulting in Russian capture of the pilot, Francis Gary Powers. The Soviets accused the United States of “war-mongering” and canceled a planned summit meeting in Geneva. Wishing to “remain neutral,” the Japanese government withdrew an invitation for Eisenhower to visit Japan (Borklund, 1991: 162).

In 1960, Japan was much stronger economically. Gross national product (GNP) had more than doubled since 1954 from \$21.65 billion to \$44.55 billion. Defense spending as a percentage of gross national product was lowered for the first time below one percent to 0.98 percent (reference figure 4-5).

Japan's Defense Expenditure as a Percent of GNP

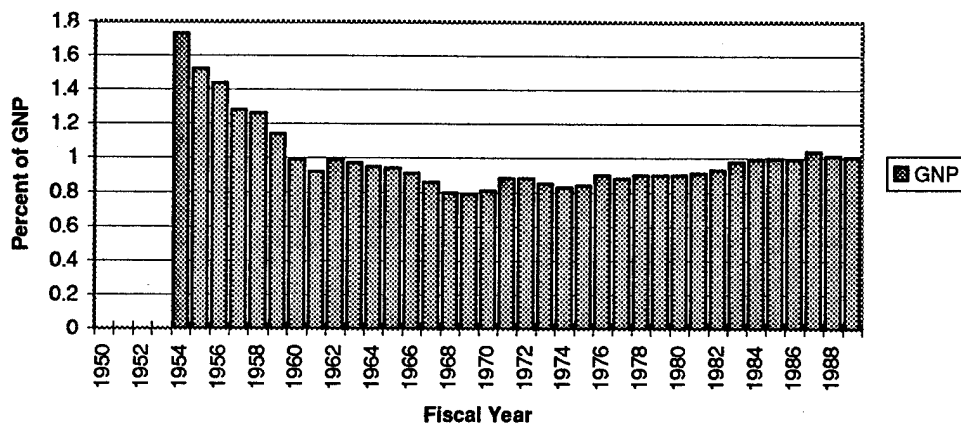


Figure 4-5. Japanese Defense Expenditure as a Percent of Gross National Product (Chinworth, 1992: 12; Nakada, 1980: 173)

January 19, 1960 Japanese Prime Minister Kishi Nobusuke signed the Treaty of Mutual Security and Cooperation with the United States. The 1960 Treaty of Mutual Cooperation and Security between the United States and Japan established the fundamental basis for the overall United States-Japan bilateral security relationship and provided a nuclear umbrella and a security guarantee to Japan (Detrio, 1989: 54). June 19, 1960 the Security Treaty was ratified by Japan after 500 police physically removed opposition party members from the Lower House. Over six million workers participated in a strike to protest the treaty's passage into law and Prime Minister Kishi resigned shortly after. In the 1950s Japanese voters consistently told pollsters that they did not support the security treaty, but 80 percent said they believed that the United States would come to Japan's defense (Weinstein, 1993: 222). Changes in the 1960 treaty committed Japan to act to meet a common danger in the event that United States facilities in Japan were attacked and further strengthened the United States commitment to defend Japan. The treaty also deleted the provision which previously allowed the United States to

intervene in Japanese internal disorder without prior consultation. There was still no requirement for Japan to contribute to regional security or defend the United States outside of Japan (Pharr, 1993: 244). From the Japanese perspective, Article 5 was interpreted as a unilateral security guarantee from the United States. Article 5 stated:

Each Party recognizes that an armed attack against either Party in the territories under the administration of Japan would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional provisions and processes.

Any such armed attack and all measures taken as a result therefore, shall be immediately reported to the Security Council of the United Nations in accordance with the provisions of Article 51 of the Charter. Such measures shall be terminated when the Security Council has taken the measure necessary to restore and maintain international peace and security. (Onishi, 1981: 161)

The United States interpreted Article 6 to mean that Japan would contribute to regional security in the Far East (Maswood, 1990: 34). Article 6 stated:

For the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East, the United States of America is granted the use by its land, air and naval forces of facilities and areas in Japan.

The use of these facilities and areas as well as the status of United States armed forces in Japan shall be governed by a separate agreement, replacing the Administrative Agreement under Article III of the Security Treaty between the United States of America and Japan, signed at Tokyo on February 28, 1952, as amended, and by such other arrangements as may be agreed upon. (Onishi, 1981: 160)

Despite the one-sided appearance of the United States-Japanese Security Treaty, the United States benefited by gaining base rights and other privileges. The benefits gained were of an intangible nature and difficult to quantify in value.

Kennedy Era (1961-1963)

After Prime Minister Kishi resigned, the new Prime Minister Ikeda Hayato initiated the Japanese foreign policy of separating politics and economics which allowed the Japanese to distance themselves from controversial political issues.. Prime Minister Ikeda's most important single legacy was decisive progress toward normalization of relations with South Korea. The government came increasingly to recognize broader obligations in Asia, repeatedly encouraging political support of, as well as economic aid to, states in the region, for, "without stability in the Asian nations that border the Communist bloc, it would be hard to secure our own safety." The 1960s Japanese policies were marked by "self-containment" initiatives. The 1960s policy developed by Prime Minister Ikeda that called for a separation of politics and economics allowed Japan to defer pressure from the United States and still conduct business with the rest of the world. Trade with China prior to the 1972 restoration of relations and trade with North Vietnam during the war were two examples of the Japanese conducting trade with outsiders (Pharr, 1993: 242).

The Foreign Assistance Act of 1961 authorized the President of the United States to sell defense articles and services to friendly foreign nations or international organizations. In 1962, Congress passed the Foreign Assistance Act of 1962 that proposed the United States phase out military grants in favor of military sales. The effects of this legislation are illustrated by the amount of grant aid (reference figure 4-2) and Foreign Military Sales (reference figure 4-4) to Japan in the 1950s and 1960s. Grant aid peaked in 1959 and decreased steadily until 1968. Foreign Military Sales began in 1956 and increases slowly through the 1960s. In addition to Foreign Military Sales the Japanese coproduced 200 F-104s from 1962 to 1967 (Rigsbee, 1989: 257).

United States legislation regarding grant aid changed as the economic ability of Japan to increased and the United States expected the Japanese to pay their share of the defense burden. On August 20, 1963, Roger Hilsman, United States Assistant Secretary for Far Eastern Affairs stated,

“Japan has illustrated how a democratic system can provide effective leadership that can overcome, in a single generation, the mistakes of the past and lay the social and economic, as well as the political, base for continuing democracy and freedom. To summarize United States strategy and policy for Asia, the primary goal is to contain communism. This could be accomplished by developing free Asian nations into a community of allies that would set an example for others to follow. (Hilsman, 1964: 112-113)

The development of Asian nations meant economic and military aid from the United States. The amount and form were determined by the receiving nation's ability to provide for itself. The Kennedy era saw a shift from short-term program grants to long-term foreign aid solutions as manifested in the Foreign Assistance Act of 1961. Japan's needs for grant aid had greatly diminished and the demand for military sales was beginning to increase.

Johnson Era (1963-1969)

The Prime Minister of Japan was Eisaku Sato in 1964. His philosophy and style of diplomatic leadership were the same as those of his predecessors, but a series of international events led the Japanese to become more deeply involved in East Asia and gradually force reconsideration of their entire foreign affairs. The two themes that continued to dominate Japanese foreign policy were fostering economic development in the region and concern over the political and security problems of the region (Hellmann, 1972: 70).

In August 1964 Congress passed the Gulf of Tonkin resolution, effectively a declaration of “limited war,” which launched the bombardment of North Vietnam and changed the mission of training the South Vietnamese to that of “search and destroy”

missions (Borklund, 1991: 165). The Vietnam War started on August 4, 1964. The United States found Japan indispensable in the logistical pipeline and desired to service nuclear powered submarines at the Japanese naval facilities. In 1964, only after years of careful negotiations to insure their absolute safety, were nuclear powered submarines finally allowed, at first in the face of massive demonstrations (Reischauer, 1977: 343). The requirement to consult with the Japanese before making major changes in armaments was brought about by a change in the 1960 Security Treaty. The 1960 treaty also set a time limit of ten years on the agreement which meant the treaty would have to be renegotiated in 1970 and the nuclear issue would certainly be brought up again.

China's rapid progress towards nuclear capability threatened the Japanese and the credibility of the United States nuclear umbrella. China's progress coupled with the American drawdown clearly worried the Japanese. In October 1964 China successfully detonated a nuclear device. The bipolar nature of the region could have possibly expanded into a multipolar region.

America's involvement in Vietnam in early 1965 increased dramatically. Most Japanese were opposed to the American position in Vietnam and saw it as threatening to involve Japan in American military adventures (Reischauer, 1977: 114). In support of the United States the Japanese did maintain United States aircraft, ships, trucks, and tanks. The Transportation Ministry recruited civilians to staff cargo vessels in the war zone. Unlike the large percentage of Japanese exports during the Korean War, direct and indirect procurements by the United States accounted for less than 8 percent of Japan's exports during the Vietnam War (Pharr, 1993: 245).

Japan's 1965 gross national product was almost double that of 1960 at \$87.08 billion. In 1965 Japan also began to have a favorable trade balance and annual payments balance. In 1965 after large financial payments of \$300 million in grants, \$200 million in long-term government credits, and \$300 million in private credits, relations between South

Korea and Japan were normalized. One of the key issues was the legal status of Koreans in Japan. Under strong internal pressure, the Japanese government did agree to allow those Koreans, and their families, who resided in Japan prior to the Pacific War, to apply for permanent residence and attendant educational and social welfare benefits. By the deadline of 1971, 350,000 Koreans had registered (Bridges, 1993: 120). Huge investments in South Korea by Japan helped start a surge of rapid economic growth. After Japanese-Korean relations were normalized, Japan began to consider the defense of Northeast Asia as part of its national defense (Sugita, 1979: 140).

The SDF was manned at more than 92 percent of the 250,372 authorized personnel in 1967. United States military personnel had decreased in number from 210,000 in 1954 to 36,400 in 1967. Japanese defense spending was at 91 percent of the maximum self-imposed limit (Weinstein, 1971: 111). Japan had progressed from total grant aid to almost exclusively foreign military sales and co-production (reference figures 4-2, 4-4). The Foreign Military Sales Act of 1968 continued the emphasis on reduced grants through the grant aid program and increased sales through the formation of the Foreign Military Sales (FMS) Program. Grant aid to Japan ended in 1968. The goals of FMS were no different than those of the grant aid program; however, the financial burden on the United States was decreased by allowing those allies with the economic capability to assume a share of the burden. The United States military would still remain in Japan for the foreseeable future to maintain the regional balance of power with the Soviet Union and the People's Republic of China.

A major concern regarding policy formulation during the Johnson era was the Vietnam War. President Johnson maintained the previous level of security assistance despite growing opposition in the United States to security assistance and defense spending in general. Japan was probably financially able to defend itself from an initial

Soviet attack, but chose not to when the alternative was to let the United States bear the bulk of the financial responsibility.

Starting in 1968, Japan began to pile up large trade surpluses. In 1968 Japan had a gross national product of \$133 billion which ranked second among capitalist countries of the world (Pharr, 1993: 245). The situation was in part the product of high Japanese barriers to the importation of industrial goods. The barriers were put in place in early postwar years to aid Japan in industrial recovery. American exports to Japan were limited to noncompetitive goods such as raw materials, food, and highly complex machinery not available by Japanese production (Reischauer, 1974: 346). The Japanese also constructed a system to regulate the inflow of foreign investments which all but eliminated the possibility of foreign control of Japanese firms.

In 1968 the Sato government issued a policy which prohibited the possession, manufacture, or introduction of nuclear weapons in Japan and was called the "three nonnuclear principles." The three "nonnuclear principles" won the Nobel Prize for Prime Minister Sato. In addition to the three principles, Sato also set limits on Japan's contribution to burden sharing. Although not a formal policy, annual white papers reaffirm the informal policy of restricting the export of weapons and technology. Despite the Sato nuclear policy, Japan did not prevent the United States military from routinely shuttling nuclear weapons in and about Japan in order to ensure credible extension of its nuclear umbrella over Japan (Chinworth, 1992: 186). The Japanese offered covert support to the United States by allowing naval vessels with nuclear weapons to use Japanese ports though they denied the access publicly.

A Japanese Diet resolution in 1969 stipulated only a peaceful use of space. Launch systems "shall be confined to peaceful purposes only and shall be carried out to contribute to the progress of science, the improvement of the nation's living standard, and the welfare of human society (Chinworth, 1992: 186)". Japan did not utilize satellites for

defense related communications and intelligence gathering purposes. During the 1960s American policy attempted to prod Japan into playing a larger role in East Asia. It was hoped the Japanese would assume a leadership role in Asian economics and political affairs under a military partnership featuring an American nuclear umbrella. The United States continued to remain deeply engaged militarily both on the nuclear and conventional level (Hellmann, 1972: 125).

Nixon Era (1969-1974)

In terms of absolute defense expenditure, Japan ranked twelfth in the world by 1970 regardless of the percentage of GNP spent on defense. The 1970s were marked by a series of economic crises that did not support rapid economic growth, including two oil crises and the dollar shock. Threat perceptions by the Japanese were shifting towards Japan-Soviet relations over territorial disputes and away from United States-Soviet relations which were improving with détente (Maswood, 1990: 6).

The Vietnam War and the events of Southeast Asia led to changes in directives and initiatives in United States foreign policy. The primary change was the transfer of self-defense responsibilities to indigenous forces, while the United States would continue to provide material assistance and economic support. There was an increased emphasis on military sales instead of grant aid to the allied nations. The variety of security-related military and economic assistance programs led to the use of an umbrella term - security assistance. The United States postwar involvement in East Asia was all-encompassing, controlling external and internal security, economies, and politics of East Asian countries. The consequence of total involvement was excessive dependence. Americans were disillusioned with the vast amounts of money spent and so little success which led to the Nixon Doctrine (Sneider, 1981: 65, 66). The Nixon Doctrine of July 1969 stated that the United States would continue to bear responsibility for the deterrence of nuclear and

general war, but the responsibility for the deterrence of localized wars would rest with the countries threatened by such wars (DISAM, 1994: 19). Under the Nixon Doctrine, peace in Asia was essentially a power balance between the United States and the Soviet Union with participation by the Asian countries. Not only would the United States encourage Asian self-reliance in security, but the United States would seek to avoid direct military involvement in Asian conflicts (Gordon, 1970:1).

Much like the 1950s, in the 1960s Japanese public opinion did not support the security treaty. Leading up to the renegotiation of the 1970 Security Treaty, both the United States and Japan realized that winning ratification by the Diet would be difficult so no changes to the 1960 treaty were made (Reischauer, 1977: 349). President Nixon also announced that Okinawa would be returned to the Japanese within a few years. After reverting to Japanese control, the United States bases there would fall under the same restrictions as the bases on mainland Japan.

In 1971 President Nixon announced that the dollar was no longer backed by a supply of gold. Balance of payments difficulties, trade deficits, and the cost of the warfare state were facing the president. The President also levied a ten percent surcharge on imports. The United States faced a fiscal crisis which meant a decline in power and limits on spending. At the same time Japan was using the United States financed defense umbrella to relieve its economy from the defense burden (Landau, 1988: 101). When the dollar ceased to be tied to gold, foreign exchange rates floated rather than being fixed and the Japanese yen appreciated considerably relative to the dollar (Sato, 1981: 57).

During the Nixon-Ford years (1969-1976) total volume of worldwide military assistance decreased (reference figure 4-1) and sales increased (reference figure 4-6).

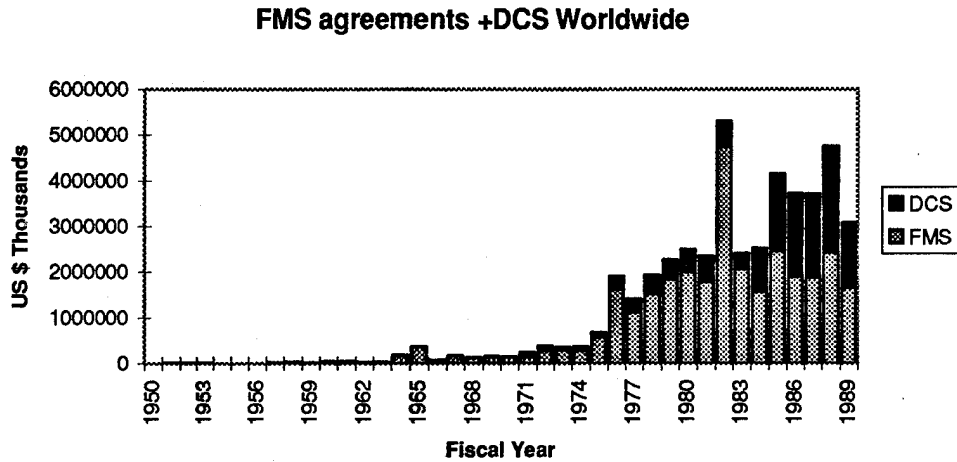


Figure 4-6. FMS Agreements and DCS Worldwide (United States DoD and United States DoS, 1993: 2)

Arms transfers added to the overall capability of the recipients to defend themselves without direct American assistance or intervention; thus it strongly supported the Nixon Doctrine (Pelig, 1990: 143). Arms sales to Japan increased steadily during the Nixon-Ford administrations (reference figure 4-7).

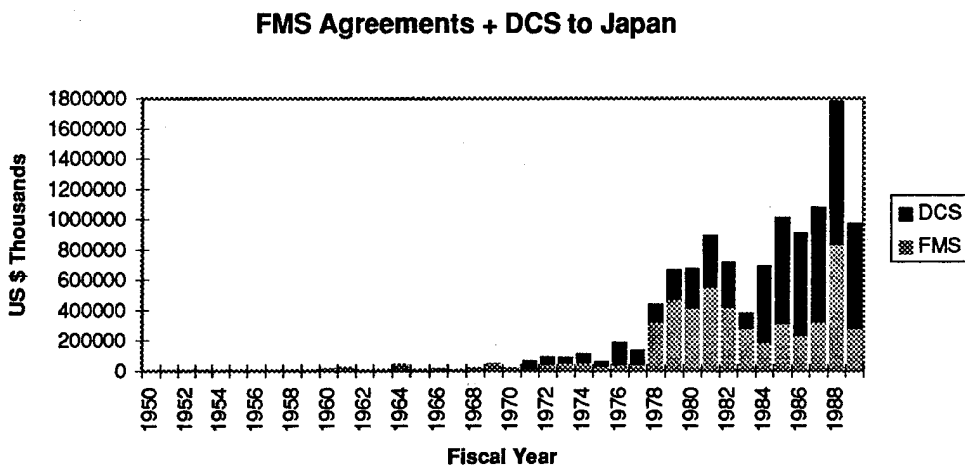


Figure 4-7. FMS Agreements and DCS to Japan (United States DoD and United States DoS, 1993: 28)

Japan was being pushed to pursue a more independent and activist role in the world at a time when it had reached a new level of material capacity. There were three "hard realities" presenting the most immediate demands for a new diplomatic posture. They were a reduction of American military involvement in East Asia, a nuclear-armed China pursuing an independent foreign policy, and the broader implications of the growing web of Japanese economic and political involvement in Asia (Hellmann, 1972: 5-6). Despite the foreign policy of China, Japan replaced the Soviet Union as China's leading trade partner. In 1952 the Yoshida government had been forced to recognize the Nationalist Government on Taiwan as the real China. Confidence in the United States was particularly damaged when President Nixon suddenly announced on July 15, 1971, a new policy on China. The "Nixon shocks" raised the possibility in Japanese minds of a basic rivalry in the future with the United States, rather the close cooperation that had existed ever since the end of World War II (Reischauer, 1977: 118). The United State's new policy concerning China opened the way for the Japanese government to resolve their relationship with China. Prime Minister Sato's retirement came under political pressure stemming from the fact that the Premier of China, Chou En-Lai, refused to have any dealings with the Sato government which had previously sided with the United States and pressed to keep China out of the United Nations. Prime Minister Tanaka was elected and in 1972 Japan finally established full diplomatic relations with the People's Republic of China for the first time since World War II.

The "self-containment" and risk minimization strategies practiced by Japan since World War II did help to alleviate fears of Japanese militarism in Japan, gave Japan the credibility to reestablish itself in Asia, and helped Japan be perceived as a peaceful nation by its neighbors (Pharr, 1993: 256). In 1973, Prime Minister Kakuei Tanaka stated that Japan would not possess air refueling capabilities due to the fact that it would violate the

principle of strict self-defense. As an example of self-restraint, F-4 Phantom fighter aircraft purchased in the early 1970s had the bomb sights and the mid-air refueling receptacle removed which restricted the combat radius and ability to bomb enemy territory. The Japanese coproduced 138 F-4s from 1972 to 1981 (Rigsbee, 1989: 257). In the late 1970s as public opinion shifted, F-15 Eagles were purchased with both capabilities intact (Maswood, 1990: 28).

Unlike the previous three plans, the fourth long-term defense plan entailed a qualitative improvement to the Self-Defense Forces. The fourth plan was adopted in October 1972 and was geared toward strengthening the Maritime Self-Defense Forces. Nakasone was the then Director General of the Japanese Defense Agency, and encouraged the government to increase the Maritime Self-Defense Forces from 140,000 tons to 240,000 tons (Maswood, 1990: 31). Nakasone was one of the first Japanese leaders willing to debate defense issues openly and to press ahead with the task of assuming a greater defense responsibility. Under Nakasone, the Japanese Defense Agency issued the first Defense White Paper, seeking to inform and educate the public regarding defense matters. At the same time Japan was becoming deeply involved in East Asia. They had been investing heavily throughout the region and had jumped to a clearly dominant position. Japan made no effort to support Third World countries' development other than the primary purpose of cultivating markets. Japan prudently sought status with its economic means, with minimal political costs and commitments (Hellmann, 1972: 65).

On January 27, 1973 the Vietnam War ended, and by early 1973 most combat forces were withdrawn from Vietnam. The realization of the limitedness of the natural resources of the world came to the Japanese and the rest of the industrialized world with the Arab oil embargo of October 1973 that quadrupled oil prices. Japan was about three quarters dependent for energy on imported oil (Reischauer, 1977: 119). The oil crisis of 1973 with the Organization of Petroleum Exporting Countries (OPEC) becoming more

demanding, and the United States showing a lack of responsiveness in East Asia, led the Japanese to question the superiority of the United States (Sato, 1981: 57). Continuing strife in the Middle East, with wars in 1967 and 1973, between Israel and its neighbors led to an arms race. The United States, Western Europe, and Japan were all concerned with the possibility that the trouble might spread into the Persian Gulf, from which Japan received eighty-five percent of its oil, and shut off the supply. A direct outgrowth of the Vietnam War and the Middle East arms race was congressional legislation to exercise greater control over the future transfer of arms which was embodied later in the Arms Export Control Act. Trends in American military assistance reflected the role of arms transfer in the thinking of the Nixon administration.

Ford Era (1974-1977)

Congressional apprehension over arms sales increased and the result was legislative requirements for closer scrutiny of potential arms transfers by the Department of State and the Department of Defense. The new control was enacted as the International Security Assistance and Arms Export Control Act (AECA) of 1976. The strengthened legislation gave Congress the right to block certain type of sales. The Arms Export Control Act also prohibited arms transfers to any nation found to be in systematic violation of human rights; and it terminated almost all grant aid and Military Assistance Advisory Groups (MAAGs) by September 1977 (DISAM, 1994: 20-21).

Japan had informally limited its total defense to one percent of its gross national product. Formal restrictions were introduced in 1976 by Prime Minister Miki Takeo (Chinworth, 1992: 186). The measure was instated to appease critics of the new National Defense Program Outline (NDPO) of 1976. The National Defense Program Outline adopted in 1976 established specific force level goals and established the ultimate peacetime defense goals and the minimum defense potential to ward off small attacks.

The National Defense Program Outline replaced the long-term defense plans, was open-ended, and did not specify time frames for targeted expansion. It also established hardware requirements for all branches of the Japanese Self-Defense Forces (Maswood, 1990: 32). Japan had a \$10 billion trade surplus in 1976 but was beginning to face a labor shortage problem (Scalera, 1979: 275). Despite the small percentage of the gross national product, the size of the Japanese economy in 1976 meant that the military budget was in reality the seventh largest in the world. When compared to regional powers, Japan had scarcely more than one twentieth as many men as China and less than half as many as Taiwan, South Korea, or North Korea (Reischauer, 1977: 346). In contrast the populations of South Korea and Taiwan combined was only half that of Japan.

The 1976 National Defense Program Outline established the following peace time force posture:

Ground Self-Defense Forces
180,000 men

Maritime Self-Defense Forces
4 escort flotillas
60 anti-submarine patrol craft
16 submarines
2 minesweeping flotillas
16 anti-submarine aircraft squadrons
220 operational aircraft

Air Self-Defense Forces
10 squadrons of fighter-interceptors
3 squadrons of support fighters
6 air defense missile groups with Nike SAMs
1 reconnaissance squadron
1 AEW squadron
3 transport squadrons
430 aircraft
(Maswood, 1990: 51,52)

As a result of the 1976 National Defense Program Outline and the push by Nakasone to strengthen the Japanese military, both foreign military sales and direct commercial sales to Japan increased dramatically (reference figures 4-4, 4-7, 4-8) after 1976.

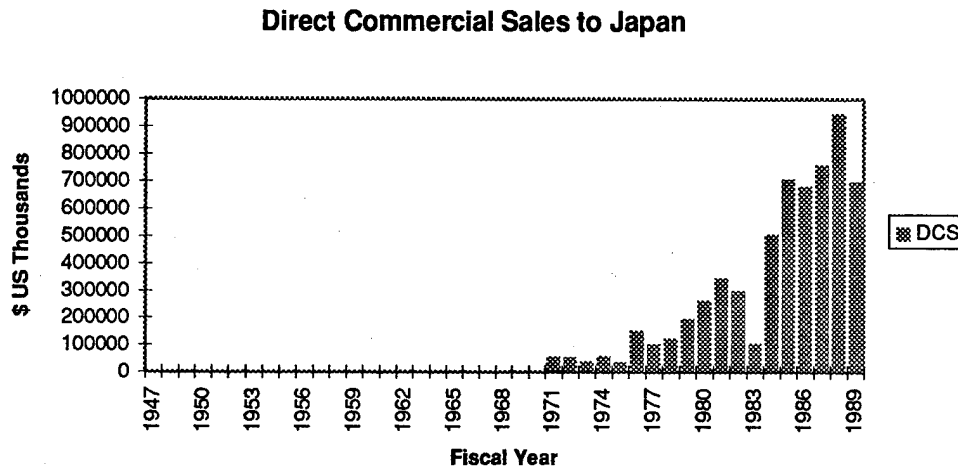


Figure 4-8. Direct Commercial Sales to Japan (United States DoD and United States DoS, 1993: 28)

Japan had relied on United States naval supremacy since the end of World War II. On February 2, 1976 Admiral James Holloway III, Chief of Naval Operations informed the United States House of Representatives that the naval supremacy of the United States in the Pacific was being challenged for the first time by the Soviets (Miyoshi, 1979: 55).

Carter Era (1977-1981)

President Jimmy Carter sought to control the endless supply of arms, especially to the third world. Under the Carter administration, conventional arms transfers were to be regarded as an exceptional instrument of foreign policy. Arms sales would be carried out only when a delivery would demonstrate a contribution to United States national interest. President Carter established a “human rights” foreign policy and cut back sharply on

funding for military programs. Security assistance would be closely tied to human-rights performance of any receiving government. Since Japan was not guilty of human rights violations, the new policy had little effect. Foreign Military Sales and Direct Commercial Sales to Japan soared in 1978 (reference figure 4-7). In addition to sales restrictions, the president initiated a ban on coproduction arrangements and retransfer practices. In his inaugural address President Carter called Japan one of the important partners of the United States and a nation of major importance in the Pacific (Sugita, 1979: 137).

The President Carter found out that arms supply could supplement diplomacy rather than contradict it, and that often it could guarantee stability rather than undermine it (Pelig, 1990: 144). During the entire Carter administration, arms exports totaled \$97 billion. Although sales to countries subject to President Carter's controls were halted or reduced, sales to exempt countries like Japan more than offset those reductions. Despite President Carter's personal feelings, arms sales soared to record levels in both sales to Japan and worldwide sales (reference figures 4-7, 4-6). According to Pelig, requirements of diplomacy in the Middle East and the strategic importance of human-rights violators like Iran and the Philippines took priority over the presidential commitment (Pelig, 1990: 149).

In the late 1970s the Japanese had numerous reasons to doubt the military and economic superiority of the United States. Détente was losing ground in United States-Soviet relationships. In 1977 the main threat to Japan's security was still the Soviet Union. The United States' decline in absolute military superiority, especially in naval capabilities, concerned Japan. The Soviets had achieved an international offensive capability approximately equivalent to that of the United States. President Carter had failed to make a meaningful SALT agreement. The Soviets were unwilling to discuss the territorial fishing rights. The decline of the United States relative economic power had fallen from 50 percent to 30 percent of the world's gross national product (Kase, 1979:

103,104). According to the 1977 Defense White Paper the possibility of China becoming a new threat to Japan in the long run could not be excluded, particularly since China had begun a modernization of military power under the regime of Teng Hsiao-p'ing (Miyoshi, 1979: 57).

In 1977 President Carter also announced the withdrawal of United States ground forces from South Korea. Kase states that the United States did not consult with the Japanese before making such a profound decision (Kase, 1979: 106). The Japanese government had adopted the Sato-Nixon Communiqué of November 1968 that stated that the national security of the Republic of Korea is essential to that of Japan as fundamental policy. The Fukuda government was convinced that the military balance provided by a United States presence should continue indefinitely (Hanai, 1979: 166). Although the withdrawal never happened, United States credibility had been damaged (Maswood, 1990: 35). South Korea was extremely important to the Japanese in military and more importantly, in economic terms. South Korea was Japan's largest export market after the United States, and Japan was South Korea's largest source of foreign capital. Japan accounted for 66.6 percent of total overseas investment in South Korea in 1976 (Scalera, 1979: 273).

In the late 1970s not only the Japanese wanted Japan to be stronger militarily. In March 1978, China's Vice-premier Teng Hsiao-p'ing stated it was necessary for China and Japan to collaborate in the East to oppose the Soviet Union (Momoi, 1981: 44). In 1978 Japan began acquiring and building the F-15. They were built under co-production license at Mitsubishi Heavy Industries' plant at Nagoya. Coproduction was defined by the GAO as enabling a foreign country to acquire the know-how to manufacture or assemble, repair, maintain, and operate a specific weapon. It may extend to a major manufacturing effort requiring the build-up of capital industries. The United States sold manufacturing

data, machinery, tools, raw materials, finished materials, production components, subassemblies, and quality-control procedures (Shear, 1994: 21).

The motivation to coproduce the F-15s were more than solely military. The F-15 represented significant gains for Japan's economic and technological base. As the aircraft was state of the art for the United States military, the potential technology transfers far exceeded those of previous coproduction models like the F-86s, F-104s, and the F-4s. Some of the most advanced technology was not transferred and involved the use of black boxes which the Japanese could not access (Chinworth, 1992: 92).

In November 1978 the United States and Japan agreed on the Guideline for United States-Japan Defense Cooperation which stated areas of defense cooperation, division of labor, and formalized preparation for joint military exercises. In the guideline, Japan agreed to repulse a limited aggressor on its own marking a significant development away from the protectorate status. After the Guideline was agreed upon, the United States increased pressure on Japan assume burden-sharing. The two areas of primary concern were technology transfer and sea-lane defense. Regarding sea-lanes, the United States wanted Japan to assume responsibility for the area west of Guam and north of the Philippines (Maswood, 1990: 40). The Japanese response was more of a fear of losing technology to the United States than that of cooperation (Pharr, 1993: 250). In terms of Japan's neighbors view of a Japanese military buildup, Korea and Taiwan were counting on Japan's economic strength, but did not want to see a strong Japanese military. At the same time, Communist China was recommending that Japan strengthen its defense capability and continue the alliance with the United States (Sugita, 1979: 141).

In 1978 the Soviet Far East forces had expanded from the 1965 level of twenty divisions and 210 fighter-attack aircraft to over forty divisions and more than 1000 fighter-attack aircraft (Sneider, 1981: 70). In 1979 there were continued signs of a Soviet military build up. They had deployed Backfire bombers and the aircraft carrier Minsk to

the Far East region. The Soviets also redeployed forces on the disputed Northern Territories of Etorofu and Shikotan, claimed by Japan, after an eighteen year absence (Maswood, 1990: 36). The steadily increasing Soviet naval power, featured the world's strongest submarine fleet, and had the potential of cutting off or restricting the free movement of the merchant marine fleets of the Western allied nations. The two trends of the Soviet navy observed were modernization of forces and emphasis on antisubmarine warfare (Sneider, 1981: 71). The future of the free trade system was based upon the ability of the Western advanced industrial nations to defend the oceanic routes from that growing threat (Miyoshi, 1979: 66). By observing Soviet naval exercises, their strategic priorities were determined to be: 1. attack and demolish United States bases around the Pacific, 2. cut off Japan from the United States military, and 3. intercept or disrupt Japan's main oceanic trade routes (Miyoshi, 1979: 70). The 1979 Defense White Paper warned that the buildup was changing the superpowers' balance, implying a need for action by the Japanese Self-Defense Forces. The international environment led the Japanese Defense Agency to attempt to complete the National Defense Program Outline early, enhance the Self-Defense Forces capabilities, and increase joint military exercises with the United States (Maswood, 1990: 36).

Prime Minister Ohira Masayoshi devised the concept of "comprehensive security," which combined defense issues with trade and aid issues in 1979. Momoi cited three basic security factors as elements of "comprehensive national security." The first was relative international peace, which included United States-Soviet détente, internal politicoeconomic stability of resource providers, and open sea and air lines of communication. The second was regional security in Asia, which included both economic, social, and military aspects. The final was Japan's domestic stability, which depended on political stability, economic growth, and security ties with the United States (Momoi, 1981: 48, 49). Masayoshi's policies indicated a shift in foreign policy when he called for a

greater military defense role for Japan. At the same time, most of the people of Japan knew very little of Japan's national defense and its military strength. National defense was not considered by the Japanese people to be important enough to be taken seriously (Sugita, 1979: 138).

The United States had consistently considered both economic and military issues in the formulation of national security policy. Much like the Japanese, the military aspect of protecting vital assets appeared to be gaining importance. In the 1980 State of the Union address, President Carter warned: "Let our position be absolutely clear: an attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America. And such an assault will be repelled by any means necessary, including military force." This was the first Presidential public pronouncement since Vietnam of the possible commitment of United States troops to protect essential United States national interests (DISAM, 1994: 22). A primary concern of the Carter Administration was the finite supply and shortages of critical minerals and materials which threatened the economies of the United States, Western Europe, and Japan. Under the Foreign Assistance Act (FAA), Section 663, notwithstanding any other provision of law, the President can, when he determines it to be in the national interest provide security assistance to a country with proviso that the country can receive the assistance in exchange for any necessary or strategic raw materials available from that country (DISAM, 1994: 23). Although the Japanese had no real natural resources of American interest, any alliances formed by the United States with other countries would have certainly benefited the Japanese. The Japanese valued increased United States commitment to protect United States vital interests which happened to be Japanese vital interests. If the United States were to exert pressure in the Persian Gulf to protect the vital energy resources, the Japanese would be free to enjoy the benefits without increased commitment or interruption of necessary resources.

On January 23, 1980 Foreign Minister Okita declared that the era of passive foreign policy was over and that Japan must adopt an activist foreign policy. In March 1980 the Japanese government admitted to the visiting West German defense minister that it could no longer follow its own policy of separating economics and politics (Johnson, 1981: 13). Since 1975, Soviet policies regarding East Asia had a strengthening effect on Japanese support for the United States-Japan Security Treaty and increased defense spending (Clough, 1981: 31).

In late summer 1980, Soviet military forces invaded Afghanistan to restore communist governmental control of the country. President Carter requested from Congress a large increase in the defense budget compared to the previous three years. The Japanese felt the United States was no longer able to effectively act against such expansionism and that the Soviets would not hesitate to use military force to achieve their goals, making the Japanese aware they must ally themselves more closely with the United States (Sato, 1981: 57).

The Japanese Defense Agency also formulated the Mid-Term Defense Program Estimate (MTDPE) in 1980. It was a five year revolving defense plan to direct the completion of the National Defense Program Outline. The basic policy of national defense continued to be based on the National Defense Program Outline and the weapons procurement plans were based on the Mid-Term Defense Program Estimate (Maswood, 1990: 42). In 1980 the Japanese joined the RIMPAC multinational naval training exercise demonstrating a new willingness to join others in a regional security effort. The involvement may have been a result of the 1978 Guidelines for Defense Cooperation between Japan and the United States (Johnson, 1981: 13).

In the 1980s, Japan's efforts to deal with its budget deficit gave rise to another economic argument for not increasing defense spending (Pharr, 1993: 243). At the request of Prime Minister Ohira in 1979, the former head of the Japanese Defense

Academy, Dr. Masamichi Inoki prepared a study of "comprehensive national security" which was released in 1980. From the 1980 publication of the Japanese Report on Comprehensive National Security, Inoki said Japan's defense relied upon the United States for nuclear deterrence and for repelling large scale aggression. Japan was responsible for resisting small-scale and limited aggression with its conventional forces. The problem was that the Self-Defense Forces did not even possess the minimum necessary denial force due in part to the small overall defense budget. There was an absolute weakness of arms and equipment in both quantity and quality (Barnett, 1984: 3).

Reagan Era (1981-1989)

President Reagan sought to revive the ideology and the policies of the cold war, portraying the Soviets as the enemy and reviving the arms race and intervention as basic policies (Landau, 1988: 135). The United States was willing to protect Japan as long as it enjoyed clear military supremacy and economic vitality. With the decline in the United States economy, burden sharing became more of an issue (Maswood, 1990: 11). America's trade deficit rose to \$358.8 billion in the 1980s. Shortly after taking office, President Reagan announced that the issue of burden sharing and "roles and responsibilities" would dominate discussions with Japan. On 8 July 1981, President Reagan announced a new Conventional Arms Transfer Policy which viewed arms transfers as an essential element of our global defense policy and an indispensable component of United States foreign policy. That was a much more pragmatic view of security assistance in which the Reagan Administration tried to deal with the world as it was, rather than how they would have liked it to have been.

The Reagan policy would transfer arms in order to assist in the deterrence of aggression, reinforce the perception of friends and allies, point out to potential enemies that the United States would not abandon its allies, improve the American economy by

assuring a more stable defense production base, enhance the effectiveness of the United States military through improved access to regional bases, and strengthen the stability of a region and the internal security of the countries therein (DISAM, 1994: 23-24). Within months of taking office, President Ronald Reagan terminated most of President Carter's arms sales reforms. Reagan declared that arms supply ought to be looked at, not only as a legitimate foreign-policy instrument, but even as an indispensable component of United States foreign policy. Annual arms transfer ceilings were eliminated and human-rights violations were dropped as impediments to arms transfers (Pelig, 1990: 145). Although neither issues affected Japan's purchases directly, the amount of arms available to other countries had to be taken into Japan's defense planning consideration. The Reagan administration felt that President Carter's restraints had undermined United States political influence and the credibility of its international commitments (Pelig, 1990: 146).

The Reagan policy also pointed out that the United States could not defend western security interests alone. The security requirements of friends and allies would be given urgent heed. Arms sales would not be used as an alternative to United States commitment or capability, but as a complement. Arms transfers to major alliance partners were first priority. During the Carter Administration, presidential opposition to arms sales did not slow down the amount of sales. Despite President Reagan's policy of relaxed standards, arms sales declined.

In 1981 Prime Minister Suzuki Zenko pledged that Japan would defend its sea lanes to a distance of 1000 miles and would need to strengthen its defense capability to do so. He also agreed to increase defense spending by 7.75 percent (Corddry, 1983: 169). The 1981 Defense White Paper on Japanese defense contained, for the first time, a section that stated Japan's role as a member of the West. The Japanese defense budget grew by an average of 6.5 percent per year during the 1980s, but total defense spending still absorbed only about one percent of gross national product (reference figure 4-5) (Cronin,

1992: 97). The Japanese still used the rationale of the uneasiness of Asian neighbors such as South Korea and Taiwan to justify not increasing defense spending as a percentage of gross national product. In the 1980s Japan's exports to the United States reached record levels, approaching 40 percent of total exports (Weinstein, 1993: 219). Burden sharing took on more importance in the 1980s as the United States became the world's largest debtor nation and Japan became the largest creditor. The United States Government suggested that the Japanese defense budget be increased at least 1.2 to 2 times more than the National Defense Program Outline target (Maswood, 1990: 46).

If the security side of the United States-Japan alliance were to be given less emphasis, the Japanese people would have quickly perceived its security implication and started to explore a new policy direction. For the purpose of securing stability in the Asia-Pacific region, it was desirable to maintain the United States-Japan military alliance, while clearly recognizing the potential threat of the Soviet Union (Okazaki, 1992: 120-121). Okazaki's theory to justify the necessity for a United States-Japan alliance included three points. The first was to build up and maintain a stable military balance in the Western Pacific, the second was for the United States to utilize Japan as an intermediary point of transportation and communication for the entire region, and the third was for the United States to take advantage of the flourishing economy of Japan to maximize Japan's share of the financial burden (Okazaki, 1992: 122-123).

When Prime Minister Nakasone took office in November 1982, he signaled to the world that Japan was to take a major turn regarding defense. As the first prime minister to be pro-defense, he stated Japan would serve as an "unsinkable aircraft carrier" and called the security interest of the G-7 countries "indivisible" (Pharr, 1993: 249). Nakasone also stated Japan should exercise full control of the straits through Japanese island to block passage of Soviet ships and submarines and Japan should secure and maintain ocean lines of communication to several hundred miles around Japan (Maswood, 1990: 64). In 1982

the National Defense Program Outline targets of 1976 had still not been achieved. Japan increased its military spending in the first half of the 1980s by over 6.5 percent annually. Nakasone realized that to reach the 1976 target, the one percent gross national product barrier would have to be broken. He pushed for the Mid-Term Defense Program Estimate to be upgraded to the status of an official plan. Nakasone's defense policy was designed to elevate Japan's international standing. He wanted to create an alliance among equals with the United States without removing the alliance framework (Maswood, 1990: 15). Nakasone was determined to take the initiative to build a stronger defense despite domestic pressure. To help accomplish his goals, in 1983 Nakasone resolved the long-standing issue of technology transfer legality and visited South Korea and ASEAN countries to secure support for Japan's defense buildup. One of the results of his efforts was the 1983 the Defense White Paper inclusion of Nakasone's concept of sea-lane defense as a goal.

The MDAA of 1954 established the legal basis for the providing technology to Japan. Thirty years later was the basis important to United States policymakers in developing the rationale for technology flowback to the United States (Chinworth, 1992: 188). Technology transfer was pursued by the United States in the 1980s as a method of equalizing the one-sided nature of the United States-Japanese relationship. The "Three Principles" of 1969 and the 1976 ban on the export of weapons manufacturing facilities created conflict in the technology transfer area. In January 1983 the Japanese Government agreed to make a special exception for the United States and in November of 1983 a memorandum was signed to facilitate the transfer of military technology (Maswood, 1990: 70).

March 1983 President Reagan publicly proposed development of the Strategic Defense Initiative, a non-nuclear shield of United States-based on strategic retaliatory forces against incoming nuclear warheads (Borklund, 1991: 173). In 1985 the United

States solicited the participation of Japan, Australia, and South Korea. The Japanese considered refusing due to the 1969 Diet resolution which prohibited the use of outer space for military purposes, but participation was based on the fact that the system was purely defensive (Maswood, 1990: 71). The Japanese decided to join the United States in the research motivated more by fears of losing commercial advantages than concern over defense matters (Pharr, 1993: 250).

In the mid-1980s Japan ranked eighth in worldwide defense spending (Maswood, 1990: 5). Over the previous twenty-five years military expenditure in Japan had increased in real terms an average of eight percent annually as a result of phenomenal growth rates (Emmerson, 1981: 119). To secure domestic support through the 1980s, Japan identified the Soviet Union as either the "potential threat" or the main threat to Japanese security (Maswood, 1990: 6). Since the end of the 1970s, the Okhotsk Sea and the northern part of the Sea of Japan had become increasingly important in Soviet strategy. After the last major Russian naval exercise 1984, Russian exercises in the Pacific seem to be more concentrated on the defense of the Okhotsk Sea and the northern Sea of Japan. This observation was supported by the number of passages made by warships through the three straits around Japan.

The 1985 Defense White Paper clearly outlined the responsibilities of Japan regarding their membership in the West. It stated that Japan would strive to build its defense capability necessary for self-defense and consider a sense of solidarity with the West. Japan was a member of the free world nations and would seek to maintain an boost its prosperity in the future (Maswood, 1990: 7). Prime Minister Nakasone reasoned that increased defense expenditures were necessary to maintain Western solidarity. The Mid-Term Defense Program Estimate was finally adopted as a government plan and afforded the same status as earlier defense plans in September 1985. The Mid-Term Defense Program Estimate had three specific objectives. It wanted to expand capability to defend

sea-lanes, improve command, control, communication, and intelligence, and enhance ability to engage in sustained combat. The objectives would be met by meeting the targets set in the 1976 National Defense Program Outline.

In 1985 Japan became the world's largest creditor nation with net external assets of \$130 billion, and the United States was the world's largest debtor nation with net external liabilities of \$107 billion. Based on the projected gross national product, at some point in the next five years, the defense budget would have to break the one percent gross national product barrier. The National Defense Program Outline revision of the Mid-Term Defense Program established specific force level goals for Japan's military. The plan set objectives of acquiring 12 squadrons of modernized fighter aircraft (including 8 squadrons of F-15s), 62 naval destroyers and frigates, 16 attack submarines and 100 P-3C anti-submarine surveillance aircraft. The goals would require the Air Self-Defense Forces to purchase 63 F-15s and 5 E-2Cs, the Maritime Self-Defense Forces to acquire 50 P-3Cs and 9 new escort ships (Maswood, 1990: 57). Instead of purchasing aircraft from the United States, the Japanese coproduced 155 F-15s starting in 1981 (Rigsbee, 1989: 257). The National Defense Program Outline levels were still less than what the United States government wanted (Cronin, 1992: 97). Since weapons procurements were based on the Mid-Term Defense Program Estimate, economic slowdowns hampered the effectiveness because defense budgets failed to keep up with the projected requirements. The shortfalls led the one percent GNP defense budget cap being repealed in 1986 by the Nakasone cabinet. Nakasone praised the one percent limit as a useful guideline for the past, but given the economic downturn, the limit was impractical and an obstacle to meeting the target set by the Mid-Term Defense Program Estimate.

Although the one percent gross national product barrier had been broken, the actual expenditures did not break the one percent barrier by any significant amount (Chinworth, 1992: 186). Toward the end of the Nakasone administration, the United

States Government fully supported the Japanese National Defense Program Outline and pressure to increase defense spending subsided. Maswood suggest the United States Government officially wanted to show support for the Nakasone changes and perhaps the United States Government preferred a weaker and subservient Japan. If Japan felt a reduced need for United States security, they might drift away from the alliance (Maswood, 1990: 46). Despite the official supportive attitude of the United States Government regarding the Nakasone administration, in 1987 both houses of Congress passed resolutions calling for Japan to increase defense spending to three percent of gross national product (Maswood, 1990: 46)..

In the early 1980s the Japanese public was not in favor of a military buildup. Domestically, the Japanese claimed it was unconstitutional for them to participate even in United Nations sanctioned peacekeeping. Over eighty percent of the Japanese public opposed an overseas military role for the country. The current party configuration in the Diet would block any policy move in the direction of participation (Hellmann, 1992: 154, 156). Following "Nixon shock" and the defeat of the United States in Vietnam, Japanese belief in the reliability of the security treaty fell to about 20 percent. Former Japanese critics decided it was necessary to strengthen the credibility of the treaty and began to support it. By the mid-1980s, 70 to 80 percent of Japanese voters had a favorable view of the alliance (Weinstein, 1993: 222).

The Fighter Support Experimental (FSX) aircraft made the United States question the security relationship, the importance of maintaining Japanese bases, and the financial aspects that came with that relationship. United States policy was still based on the containment of communism, whereas the FSX was at the heart of the trade-defense link (Shear, 1994: xv). The FSX fighter program grew out of a Japanese government decision in 1984-1985 to acquire a new aircraft to replace the Japanese Air Self-Defense Force's Workhorse F-1, a fighter manufactured in Japan in the 1970s (Ortmayer, 1989, 44). The

Japanese originally wanted to develop an indigenous aircraft and tried to obtain information from United States aircraft manufacturers. The United States Congress pressured the Japanese to buy United States military aircraft already in production but the Japanese cited the inability of any existing airframe to accomplish their mission. The suspected intent of the desire to produce a new aircraft was to fund research that would contribute to a state-of-the-art aircraft industry and stimulate related industry sectors (Chinworth, 1992: 32).

The Japanese eventually compromised and gave up the fight to produce and aircraft on their own. In October 1987 Japan and the United States agreed to codevelop the FSX. The United States position before the agreement was off-the-shelf procurement followed by codevelopment. Codevelopment was not particularly desirable, but some involvement was better than the Japanese turning to another country or developing the aircraft on their own (Rigsbee, 1989: 263). The FSX was eventually based on the F-16 and was jointly developed by General Dynamics and Mitsubishi Heavy Industry with a manufacturing target date in Japan in the late 1990s. The people outside Japan that opposed the FSX feared that the development would enable Japan to capture the world aviation market. "What we're seeing is the emergence of an entirely new concept of national security. It embraces economics and competitive, commercial relations." Rep. Les Aspin, Chairman, House Armed Services Committee (Greenwald, 1989: 44). The great irony of the FSX was that the weapon itself was not an issue; it was a symbol of power. The Japanese were seeking technological supremacy, market dominance, and improved trade balances. American aviation industry had dropped from twenty-two manufacturers in 1945 to just five in 1989. The organization of Airbus Industries further threatened the American share of the industry. In 1983 American aviation was thirty times larger than the Japanese counterpart; in 1985 it was only twenty times larger (Shear, 1994: xii-xiv).

The Toshiba Incident in the summer of 1987 and the FSX controversy were given much more coverage and attention in Japan than in the United States (Weinstein, 1993: 222). The United States has voiced concern over the security of technology. In the Toshiba Incident, a subsidiary Japanese company violated the Coordinating Committee for Western trade with the Soviet Union (COCOM) restrictions by exporting precision milling equipment to the Soviet Union which allowed the Soviets to produce quieter screws for their submarines to evade detection. In April 1988 the United States and Japan signed an agreement in which Japan promised to maintain the secrecy of patented security-related technology.

In 1989 the defense related research budget in the United States was \$33.3 billion compared to \$536 million in Japan. The numbers were not directly comparable because Japan relied on the civilian sector to develop new technology and the subsequent application could be either civilian or military (dual-use technology). Japan also relied on gaining technology through coproduction licenses. The United States and Japan had obvious differences in theory regarding technology development (Chinworth, 1992: 34-36).

As for United States public opinion in 1989, only thirty-eight percent of the American public thought the number of United States troops in Japan should be decreased and seventy-two percent thought the United States would help Japan if the Japanese were attacked (Bobrow, 1992: 309). The United States-China-Japan triangle is critical in the security of the Pacific area (Sarkesian, 1989: 161).

In 1989 Prime Minister Uno sought to avoid confrontation and followed the foreign policy practiced by those before him. Japan supported the economic embargo against Iraq but did not engage in any political confrontations. Japan did not stop aid to China after the June 4, 1989 incident in Tiananmen Square until pressured by the United

States. The Berlin Wall fell in October of 1989 and signaled the downfall of communism, the primary threat to Japan and the reason for United States' presence in the Pacific.

V. Conclusion

Chapter Overview

The United States used security assistance to Japan to gain control in the rebuilding of Japan, develop a military ally, and gain access to the country for American needs. From an impoverished basketcase after World War II, Japan in 1989 had become by far the largest creditor nation in the world, with a per capita gross national product thirty percent greater than that in the United States and an aggregate gross national product almost one and one half times that of the Soviet Union (Hellmann, 1992: 151). Despite Japan's economic capabilities, the Japanese did not maintain a military capable of repelling a conventional attack for more than a few days and was incapable of protecting vital sea-lanes. The Japanese had often cited their constitution and public opinion, both internal and external, as primary deterrents to a military buildup. Since World War II the Japanese have been content to rely on the United States to provide both regional and global security. The United States had encouraged the Japanese to rearm since 1952 but the steady response had always been less than the United States wanted or felt was appropriate. The United States used arms sales to gain access to the country for strategic reasons, help offset the trade balance, and to strengthen an ally. The Japanese used arms purchases to gain technology which would in turn support their economic goals.

The "self-containment" and risk minimization strategies practiced by Japan since World War II did help to alleviate fears of Japanese militarism in Japan, gave Japan the credibility to reestablish itself in Asia, and helped Japan be perceived as a peaceful nation by its neighbors (Pharr, 1993: 256). The Japanese preferred to concentrate on economic issues while the Americans concentrated on security issues. The Japanese tended to view their situation regionally. During the time period of this study, the bipolar Soviet Union-

United States competition dominated world order. The Japanese recognized that they could not control aggression from either the Soviet Union or China and that only the United States could offer them the benefits of global trade in addition to regional security. The Japanese were extremely dependent on foreign sources of energy and natural resources, and therefore concentrated foreign policy on economic issues and avoided military or political issues. The Japanese tended to support United States military desires which maintained the status quo in East Asia, such as base rights and the use of Japan as a logistical supply base. Japan's exclusion from world events confirmed the belief that political clout was not a natural attribute of economic greatness alone (Maswood, 1990: 16).

Political Issues

The United States used security assistance initially to control the restructuring of the Japanese government, economy, and military. Since the Japanese were dependent upon United States support, the United States had a large influence in almost all restructuring efforts. After the Japanese gained control over their own government, they used politics to guide the policies of the military. Legislative policy and cabinet directives have shaped Japan's defense policies. Diet and SDF law restrict overseas deployments. To be consistent with Article 9, offensive weapons could not be manufactured, imported, or deployed. Collective security agreements were against Japanese policy. The only formal security agreement was The Treaty of Mutual Security and Assistance with the United States. Article 18 of the Japanese constitution prohibited involuntary servitude, so a military draft was forbidden. According to official Japanese security policy, maintenance of a military establishment was only one tool-and by no means the best-with which to achieve national security; diplomacy, economic aid and development, and a close

relationship with the United States under the terms of the 1960 security treaty were all considered more important (Cooke, 1981: 367).

Japan's political system did not foster dramatic change. Prime Ministers in Japan were limited to two terms of two years each. Given the power and influence of the bureaucracy in Japan, it would have been unwise to expect any one individual to make a strong impact on the system. Japan's opinion leaders had only modest impact on national policymakers and the mass public (Brown, 1991: 22). The United States on the contrary could bring on a new agenda with each subsequent administration (Maswood, 1990: 20).

The Yoshida Doctrine of a separation of economics and politics guided Japan through the 1950s. Since the 1950s, Japanese foreign policy had been a low-cost, low-risk, benefit-maximizing strategy that served the Japanese national self-interest throughout the 1980s. The key aims were regaining autonomy in the world order, achieving economic prosperity, minimizing risks, and pursuing its goals by nonmilitary means (Pharr, 1993: 236). During the cold war it was sufficient for the Japanese to cooperate with the American-led effort to contain the Soviet Union and maintain a low political profile (Brown, 1993: 2).

In the 1970s Japan attempted to institute the policy of "comprehensive security" which sought to legitimize the substitution of development aid, strategic aid, and debt relief for defense spending. The policy was aimed at keeping foreign policy costs low. Three factors were transforming Japan's defensive strategy in the 1970s and 1980s: doubts about United States involvement in East Asia after the Vietnam War, the Soviet military buildup in the Far East, and increasing pressure regarding burden sharing (Pharr, 1993: 248). As Japan recovered economically, the United States continually tried to pressure Japan politically to increase the size and capability of their military.

Economic Issues

The United States used security assistance after World War II to rebuild the Japanese economy. Tokyo's remarkable economic recovery was dependent on an international political-security order created by Pax Americana. It was the willingness of the United States to maintain stability in the world that permitted Japan to develop in a unidimensional economic fashion during the decades since World War II (Hellmann, 1992: 152). Toward the end of this study, the world's largest debtor nation effectively underwrote the security of the world's largest creditor: Japan did not participate in the United Nations or any multilateral overseas military activities despite the world's third largest defense force that was legitimated by appeal to the United Nations' charter (Article 9 of the Japanese constitution was rewritten by the Japanese in 1947 for that purpose) (Hellmann, 1992: 154).

Japan's policies of not building a large military and remaining neutral in most international situations, allowed the Japanese to concentrate assets earlier in establishing an industrial base and later in expanding their economy. Japanese bilateral aid was also directed toward infrastructure development to cultivate markets for Japanese products. By 1980 Japanese aid was a mere 0.32 percent of its gross national product compared to an average of 0.37 for OECD nations. Japan ranked eleventh out of sixteen countries in terms of gross national product percentage. The financial terms of foreign assistance were also the most restrictive with a 78 percent grant element as opposed to the OECD recommended minimum of 86 percent and an average of OECD nations of 91 percent (Nanto, 1983: 230). Japanese aid was also concentrated on developing countries of Asia reflecting once again Japan's regional perspective.

Japan's growing economy essentially paid for the quantitative and qualitative improvements in its military. Although the defense budget remained almost a constant percentage of the gross national product (reference figure 4-5), the growing gross national product (reference figure 5-1) fueled the growing defense budget (reference figures 5-2 and 5-3).

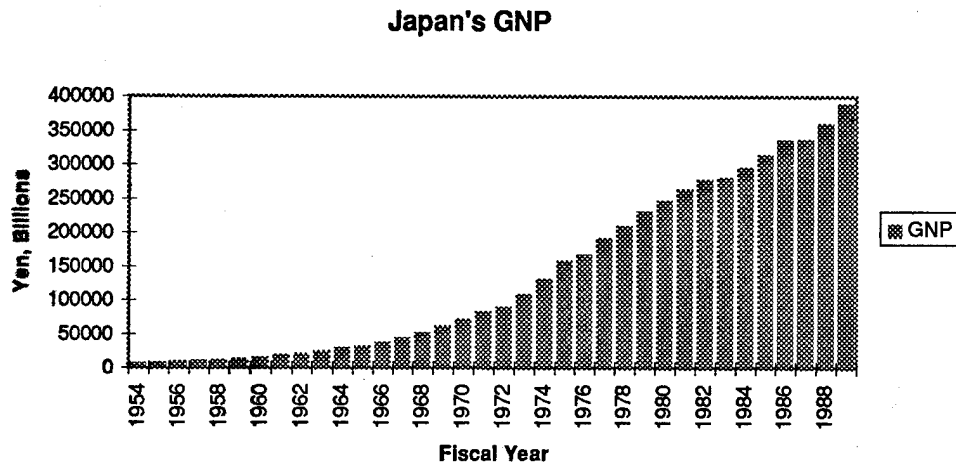


Figure 5-1. Japan's GNP (Chinworth, 1992: 12; Nakada, 1980: 173)

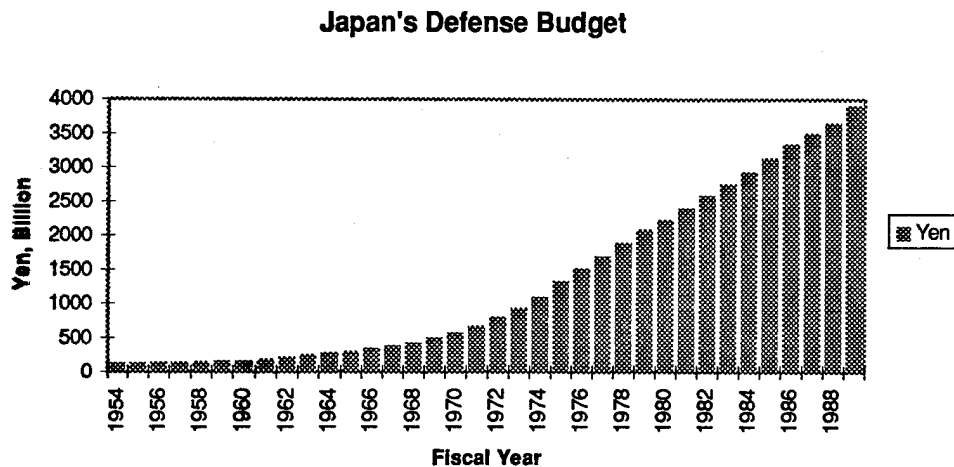


Figure 5-2. Japan's Defense Budget (Chinworth, 1992: 12; Nakada, 1980: 173)

Despite the United States trade deficit that developed, Japanese trade accounted for a substantial portion of both United States imports and exports. Japan and the United States were very dependent upon each other in the trade arena.

Military Issues

The United States used security assistance to initially arm and later to strengthen an ally through the Military Assistance Program, Foreign Military Sales, and direct commercial sales. The military technology gained by the Japanese through security assistance allowed the Japanese to apply advanced technology to both the military and civilian sectors of industry. Until the late 1960s the United States dominated critical areas of technology development and trade balances, but the dominance became diffused in the 1970s. The United States sought to protect the dominance against the perceived Communist threat with export controls that would preclude or delay the acquisition of advanced technology by the Communists. Prior to 1975 the controls focused on products. When trade with the Soviet Union started to increase, the focus shifted to technology (Finkler 1990: II-1, II-2).

The erosion of détente after the Soviet invasion of Afghanistan in 1982 helped secure the feeling that the Soviets were the primary concern for Japanese security and helped justify the defense buildup efforts of the Nakasone administration. Nakasone emphasized that the past practice of separating economics and politics, the Yoshida Doctrine, could no longer be continued. Nakasone introduced an aspect of realism into Japanese foreign policy, and stated Japanese defense efforts could no longer be based solely on threat perceptions but also must acknowledge the responsibilities as a member of the Western alliance (Maswood, 1990: 22).

United States defense industrial cooperation (DIC) activities with Japan had evolved from military aid to sales to coproduction and finally to codevelopment of some of the most advanced American defense systems. DIC programs had also extended to technology cooperation and the beginning of joint research and design projects with the FSX program (Dyke, 1992: x ,ix). Through coproduction of aircraft, Japan hoped to gain the technological and economic advantages which would be by products of the industry. The Japanese viewed technology transfer as much an economic package as a defense program. The Japanese also did not like to rely on foreign-made hardware for their own security. They wanted to reduce lines of supply and be assured of the availability of arms and equipment in a time of war (Shear, 1994: 7).

The benefits of coproduction were common, interchangeable weapons for alliance partners, and cheaper, more sophisticated weaponry. The dangers to the United States were eroding market share and loss of control of sensitive technology (Shear, 1994: 21). Another benefit of coproduction was improved interoperability. Major difficulties arose when configurations of United States and Japanese aircraft were not standardized. The Japanese placed less importance on configuration control, feeling that common fuel, munitions, and communications were adequate; the United States wanted to include spare parts and training. Japan favored domestic production over foreign military sales due to the advantages of access to technology, increased employment, supportability, and quality aspects (Rigsbee, 1989: 261).

Despite Japan's economic growth and constant defense expenditures as a percentage of its gross national product, the defense budget as a percentage of Japan's total budget and annual percent of change in the defense budget had both declined since the rearmament of Japan (reference figures 5-3 and 5-4).

Defense Budget as a Percentage of Japan's Total Budget

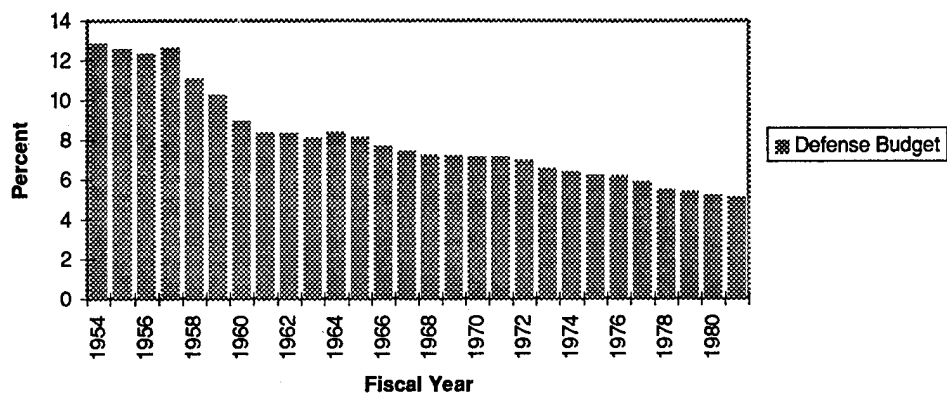


Figure 5-3. Defense Budget as a Percentage of Japan's Total Budget (Bunge, 1981: 430; Weinstein, 1971: 123)

Japan's Defense Budget Percent Change

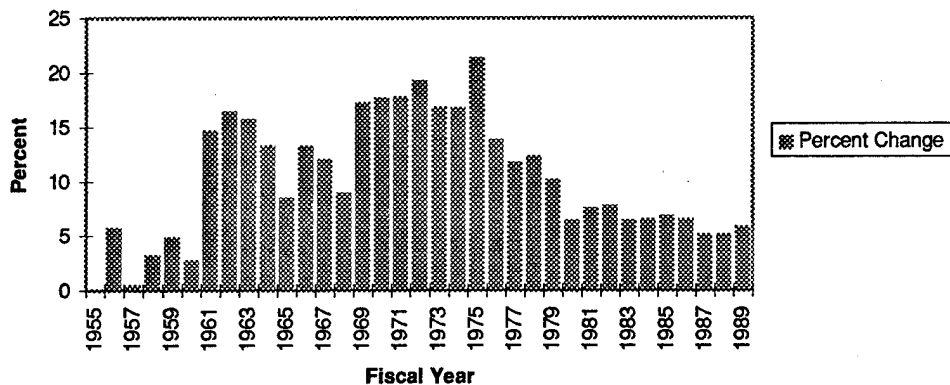


Figure 5-4. Japan's Defense Budget Percent Change (Chinworth, 1992: 12; Nakada, 1980: 173)

Cooke said in spite of constant increases in the defense budget, defense expenditures were not large enough to finance substantial improvements in the armed forces. Technological advances in weaponry made new purchases extremely expensive

and Japanese policy demanded that arms be produced in Japan which further increased the costs. In addition to high weapons costs, personnel and facilities accounted for over 80 percent of the defense budget leaving less than 20 percent available for weapons procurement (Cooke, 1983: 368).

To further support the United States claims that Japan was not spending its fair share in defense matters, Table 5-1 illustrates the relative defense expenditures of several major countries in 1980. The Japanese were far behind most industrialized nations in defense spending as a percentage of gross national product and defense spending as a percentage of total government spending.

Table 5-1. 1980 Defense Expenditures of Major Countries (All figures from FY 1980 except FY 1978 for the Soviet Union) (Reed, 1983: 12)

Country	Total Defense Expenditure (in millions of dollars)	Defense Expenditure Per Capita (dollars)	Defense Expenditure as a Percentage of Total Budget	Defense Expenditure as a Percentage of GNP
Soviet Union	148000	574	unknown	12
United States	142700	644	23.3	5.2
China	56941	56	18	9
West Germany	25120	410	22.2	3.3
Saudi Arabia	20704	2518	28.1	15
Japan	8960	75	5.2	0.9
Israel	5200	1333	32	31.1
India	4406	7	26.9	3.9
South Korea	3460	91	36	5.5

Summary

The United States used security assistance to show support for the United States-Japanese alliance, rebuild Japan's economy, and gain access to Japanese bases for military

purposes of regional stabilization. Japan was effective in using United States security assistance to their advantage to achieve their goals. When United States and Japanese goals coincided, the Japanese were supportive. When United States goals were different than the Japanese, the Japanese would be non-committed or make verbal commitments which either never happened, or if they did occur, over a very expanded time frame. The end result of United States security assistance for the United States was an ally to counter communism, a major trade partner, and a strategic ally which served United States needs in two major conflicts.

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Vita

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During his tour at Clark AB, Captain Puvogel filled a variety of maintenance positions in support of the MC-130E and HH-3 aircraft. These positions included MC-130E branch chief, HH-3 branch chief, and Chief of Maintenance.

In 1990, he was assigned as a student to the Defense Language Institute, Monterey, California. After completion of Thai language instruction, Captain Puvogel was assigned as a C-130 maintenance exchange officer with the Royal Thai Air Force at Don Muang AB, Bangkok, Thailand. Captain Puvogel then entered the Air Force Institute of Technology at Wright-Patterson AFB, Ohio, and graduated in September 1995 with a Masters degree in Logistics Management. He was subsequently assigned to Air Force Special Operations Command.

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