

Office of East Asian Analysis
DIRECTORATE OF INTELLIGENCE

5 January 1984

NOTE FOR: The Honorable Paul Wolfowitz
The Assistant Secretary for
East Asian and Pacific Affairs
Department of State

Paul,

Attached is our assessment of the second Nakasone administration. We prepared this paper at the request of Under Secretary of Commerce for International Trade Lionel Olmer, but I thought you might also be interested in our first look at Nakasone's second Cabinet and the prospect for progress on bilateral issues. If you have any questions, please call [redacted] Chief, Japan Branch, [redacted]

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[redacted]

Director

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Attachment:

(This note was sent to the following:)

- Paul Wolfowitz Doug Mulholland
- Gaston Sigur Martin Feldstein
- Richard Armitage
- Ambassador Michael Smith
- James Kelly

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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

5 January 1984

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Japan: The Second Nakasone Administration [redacted]

Although Prime Minister Nakasone fell far short of winning the popular mandate he had hoped for in the lower house election, he has pieced together a coalition government that should lessen Liberal Democratic Party (LDP) infighting for several months. If former Prime Minister Tanaka decides that it is no longer in his interest to remain in the background or if lower house elections are called this summer, the current truce within the party could end by spring. In any event, the LDP presidential election next November is certain to set off a new round of factional maneuvering. We believe that Nakasone's Cabinet choices should help Tokyo fulfill at least some of the pledges it has made to Washington over the past year, although progress in such politically sensitive areas as agriculture almost certainly will be less than the United States hoped for. [redacted]

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New Liberal Club Alliance

Nakasone's move to bring the eight-member New Liberal Club

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This memorandum, requested by Lionel Olmer, Under Secretary for International Trade, Department of Commerce, was prepared by [redacted] Japan Branch, Northeast Asia Division, Office of East Asian Analysis. [redacted]

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[redacted] Information available as of 3 January 1984 was used in its preparation. Comments and queries are welcome and may be directed to the Chief, Japan Branch, Northeast Asia Division, OEA, [redacted]

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(NLC) into an alliance with the LDP gives the conservatives a majority of 267 of the 511 seats in the lower house and control over 15 of the 18 standing committees, including the key budget committee. The Prime Minister's ties to the NLC and the similarity of LDP-NLC policy views should help ensure continued cooperation. [redacted]

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[redacted] NLC leaders view the LDP-NLC National Union as a first step toward rejoining the LDP. Of the four NLC members who formerly belonged to the LDP, three--including leader Seiichi Tagawa--were Nakasone faction members, [redacted]

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[redacted] NLC positions on foreign affairs, administrative reform, and education are compatible with those of the LDP, [redacted]

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[redacted] The NLC left the LDP in 1976 ostensibly to protest the failure of old-line party leaders to carry out internal reform after former Prime Minister Tanaka's scandal-linked resignation in November 1974. [redacted]

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Achieving Factional Balance

By far the more important coalition in the new government is that within the LDP itself. On 24 December Nakasone set the stage for renewed party unity by making the ritual acceptance of responsibility for the 18 December election setback and pledging to "eradicate" Tanaka's influence over the LDP. He backed his words with actions when appointing Cabinet and top party officials.

- Tanaka faction members hold six posts in the new Cabinet as they did in the last, but the portfolios are much less prestigious.
- Tanaka lost the Justice portfolio--which could have been useful during the appeal of his bribery conviction--and the Construction post--one of the major pork barrel ministries, long controlled by the Tanaka faction.
- Nakasone replaced a Tanaka faction leader as secretary general of the party.

In addition to placating his major factional opponents by reducing Tanaka's influence in the party, Nakasone was careful to balance top party and Cabinet posts among all factions. He even brought one of his chief rivals--Toshio Komoto--into the Cabinet. [redacted]

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Nakasone himself has been able to recover some ground within

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the LDP during the postelection maneuvering. Former Finance Minister Michio Watanabe has rejoined the Nakasone faction, bringing along seven of his followers. As a result, the Prime Minister's faction is now equal in size to that of Suzuki's--both are now second only to Tanaka. By working out the coalition with the NLC, and giving NLC leader Tagawa a Cabinet post, Nakasone has added to his list of potential supporters. Some of Nakasone's Cabinet choices could also work to his advantage. Komoto, Abe and Takeshita are all potential rivals for the prime ministership. By naming them to the Cabinet, Nakasone has tied them to his government, leaving them less room to criticize him and less time to prepare to challenge him in party presidential elections scheduled for November.

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Stress Points in the Coalition

How long the current stability within the LDP will last depends to a large degree on Tanaka's assessment of the political scene.

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Nakasone must still depend on backing from Tanaka, who heads the largest faction in the party. If the Prime Minister appears to base decisions on advice from Tanaka--including whether to hold lower house elections again in early summer--a period of debilitating factional infighting could resume.

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Trouble within the factional coalition could also come from Suzuki's followers. Suzuki pressed Nakasone to name Kiichi Miyazawa party secretary general. Miyazawa is heir apparent of the Suzuki faction, but he has never held the secretary generalship, a key credential for the party presidency and an essential post from which to broaden support within the party.

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Suzuki is undoubtedly bitter that Miyazawa was shut out. His faction is divided between supporters of Miyazawa and Tanaka, creating discord that could spill into wider factional relations.

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Impact on the United States

Despite the current stability of the Nakasone government, the election results have weakened the LDP and limited Nakasone's ability to lead. Japanese officials have already suggested that the election setback will slow progress on solving US-Japanese problems, but we believe the new Nakasone administration should

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be able to follow through on some pledges made to Washington. [redacted]

The Prime Minister has retained two key Cabinet ministers who have worked with him on bilateral issues over the past year and who could be instrumental in supporting negotiations on topics of importance to the United States. Foreign Minister Abe plans to come to Washington early this year to discuss bilateral issues. According to the Embassy in Tokyo, Finance Minister Takeshita has demonstrated a consistent, long-term interest in maintaining a strong US-Japanese relationship. He has exchanged views with Treasury Secretary Regan on financial issues and probably will try to ensure that their scheduled meeting in February goes well. [redacted]

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The return of Komoto to the Cabinet may also encourage action on financial issues. [redacted] Komoto favors strengthening the yen in order to remove a key irritant in bilateral relations. Nakasone has included other major rivals and critics in his government. As a result, if the Cabinet agrees to take action on bilateral issues, he should not face criticism from within the LDP for caving in to Washington. Finally, with Tanaka in the background, Nakasone was able to name more men of his own choice to the Cabinet and top LDP posts, which could give him a larger voice in managing the Diet and the party. This, in turn, could allow him to push for fulfillment of pledges to Washington. [redacted]

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Movement on agricultural issues is likely to be most difficult. Having lost 34 seats, party members will be reluctant to risk antagonizing traditional supporters by making concessions to beef and citrus. Foreign Minister Abe has publicly emphasized that Japan cannot promise to eliminate agricultural quotas. [redacted]

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the powerful agriculture lobby has begun to court the newly strengthened opposition parties in an effort to block concessions to the United States. [redacted]

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Nonetheless, we believe at least some increase in agricultural quotas is possible. [redacted] Tanaka has said that with cooperation from the Democratic Socialists and Komeito--to which his faction has close ties--Tokyo will be able to increase import quotas on farm goods. The Minister of Agriculture is one of Tanaka's men, and he may be able to use the influence of the LDP's most powerful faction to convince the Agriculture Ministry to go along with some concessions. [redacted]

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Early signs suggest that progress on Japan's defense effort may also slow. Nakasone appears to have set aside the boldness

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on this issue he displayed during his first year in office for a more cautious approach. In a press conference shortly after he was reelected Prime Minister, he said he would keep his promise to President Reagan to boost Japan's defense efforts but added that the increase in defense spending might not be as much as Washington would like. He warned that military spending should be examined closely to ensure a balance with other expenditures under an austere budget. He also promised to abide by the Cabinet guideline limiting military outlays to less than 1 percent of GNP. In addition, the Socialists, who gained 11 seats in the election, are outspoken opponents of increased defense spending. [REDACTED]

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Nakasone has named several officials to his new government-- including the LDP secretary general, the chief cabinet secretary, and the Minister of International Trade and Industry--who are experienced in working with the opposition. Their negotiating skills and contacts should be useful in arranging compromises, at least with the moderate opposition, that could allow some progress on such controversial issues as defense. [REDACTED]

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Movement on liberalization of the capital markets has probably been least affected by the election results, and we expect the momentum that has built for progress on that issue to continue. [REDACTED]

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NAKASONE CABINETKey Cabinet Posts

<u>Position</u>	<u>Individual</u>	<u>Faction</u>
Chief Cabinet Secretary	Takao Fujinami	Nakasone
Minister of Finance	Noboru Takeshita	Tanaka
Minister of Foreign Affairs	Shintaro Abe	Fukuda
Minister of International Trade and Industry	Hikosaburo Okonogi	Nakasone
Minister of Agriculture, Forestry and Fisheries	Shinjiro Yamamura	Tanaka
Minister of Home Affairs	Seiichi Tagawa	New Liberal Club
Minister of Posts and Telecommunications	Keiwa Okuda	Tanaka
Director General, Japan Defense Agency	Yuko Kurihara	Suzuki
Director General, Economic Planning Agency	Toshio Komoto	Komoto

Key LDP Posts

Secretary General	Rokusuke Tanaka	Suzuki
Chairman, Executive Council	Shin Kanemaru	Tanaka
Chairman, Policy Affairs Research Council	Masayuki Fujio	Fukuda

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