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STAFF STUDY NO. 14

*Significance of Japanese Self-Sufficiency
in Cooking Oil*
WORKING PAPER

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This study has been pursued as partial basis for a projected estimate of Japan's vulnerability to political and economic pressures from Communist Asia as a consequence of its steel industry requirements.

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SIGNIFICANCE OF JAPANESE SELF-SUFFICIENCY IN COKING COAL

Problem: Japan long has been short of high-grade coking coal for metallurgical use. While Japan actually is almost self-sufficient in coals for production of coke, coking processes have been so uneconomic as to provide production inadequate for Japan's needs. Recent reports allege that Japan can become self-sufficient in coking coal at an economic level if it adopts certain technical methods. This study aims to determine the effect of Japanese self-sufficiency in coking coal for metallurgical use on US security interests, in the event current experiments demonstrate Japan's capability for self-sufficiency.

Conclusions: Japan's self-sufficiency in coking coal for metallurgical use would favor US security interests, assuming US-orientation of Japan, in that (1) internally, Japanese economic and political stability would be strengthened and (2) externally, the Chinese Communists and the USSR would be deprived of a trade lever to force Japan to turn toward Communist-dominated areas of Asia.

Assumptions:

1. Japan will continue under US control.
2. A USSR-oriented Japan would be an essential part of a Soviet self-sufficient Far Eastern war-making complex.

Discussion: Coking coal is essential for making coke which is used in production of iron and steel. Japan has large reserves of coal; the coals of Japan as mined, however, are not satisfactory for metallurgical coke of sufficient stability for use in blast furnaces. Until political factors intervened, Japan imported high-grade coking coals from China, Manchuria, and Sakhalin and imported anthracite coal from Indochina. These were blended with the coals of Japan to produce a metallurgical coke having adequate stability.

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- 2 -

Coking coal requirements are about two tons of coal per ton of pig iron produced. Imported high-grade coking coals for combination with domestic coal constitute 35-40% of Japan's total coking coal requirement. SCAP estimates that 2.30 million metric tons of coking coal will have to be imported annually by 1953 to meet its 1953 projected goal of 5.76 million metric tons of coking coal for pig production.

Factors causing Japan to seek coking coal self-sufficiency:

1. Political: Barring political considerations, Japan's most logical foreign sources of coking coal are China, Manchuria, Sakhalin and Indochina. However, political considerations arising from Communist control in most of these areas and from Japan's aversion for Communism, deter it from satisfying its requirements there. Sakhalin is for all practical purposes now part of the USSR. Although the USSR has expressed some desire to trade Sakhalin coking coal for Japanese rolling stock and heavy equipment, Sakhalin must remain a doubtful source so long as Japan remains anti-Communist and concurrently able to meet its minimum requirements without reliance on Soviet-dominated areas. Similar observations can be made about China and Manchuria as a source. It may be that the Chinese Communists will be willing to trade their high-grade coking coal for Japanese products. However, so long as the Chinese Communists are oriented to the USSR, the coals under their control cannot be considered readily available to Japan, except as they may be employed as an economic weapon to force political concessions from Japan in the event Japan cannot otherwise meet its essential requirements. Indochina anthracite can be used as a blend to produce only a slight quantity of high-grade coking coal, and political disturbances there make it highly doubtful that much coking coal will be available for export.

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- 3 -

2. **Economic:** As a result of the limited availability during 1948 from its historical sources, Japan has had to turn to more distant sources, chiefly the US and Canada, for the greater part of its coking coal imports. During 1948, it cost US \$29-31 per ton to import coking coal to Japan from the US and Canada as compared with a cost of US \$14-18 for the limited supplies of coal imported from the Soviet Far East (Sakhalin) and China. Although the US is paying for the coking coal imports from the US (which constituted about one-half of Japan's 1948 coking coal imports) Japan will have to assume all the costs when US subsidies are withdrawn. At such time, the higher costs of the North American imports would be a heavy burden on the Japanese steel industry.

Prospects for Japanese coking coal self-sufficiency:

Under the exigencies of the war, Japanese technicians used a carbonized low-volatile coal product called "coalite" in blends with Hokkaido coals for making metallurgical coke. Although their experiences were not entirely successful, a visiting expert consultant to SCAP believes that by proper production and application of coalite, employing methods used with some success in the US, Japan can become self-sufficient in coking coals. The consultant states that there is no insurmountable technical difficulty. He believes that the Japanese have neglected to use some very simple methods of increasing the stability of metallurgical coke. Three to six months' experiments presently are being undertaken to test the validity of the claims and proposals of the consultant.

The remainder of this discussion assumes that his observations are correct.

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Implications of Japanese coking coal self-sufficiency:

1. Economic: By being self-sufficient in metallurgical coke produced from its own resources of coal, Japan can effect considerable savings, both for the product itself and on shipping. This would be true even if its former foreign sources became fully available at not more than normal market prices; and the savings would be considerable when compared to current costs involved in procuring the high-grade coals from North American sources.

Since Japan depends considerably upon imports for its survival, savings in exchange are of extraordinary importance. Its progress toward a self-supporting status will be eased to the extent to which it can use its exchange otherwise requisite for coking coal imports in purchasing other needs.

2. Political: An adequate domestic supply of satisfactory metallurgical coking coal would eliminate Japan's vulnerability to China's current ability to exploit Japan's dependence upon imported coal by economic pressure for political and economic concessions by Japan, otherwise avoidable only by US subsidy of Japan's coal import requirements.

The JCP has stressed Japan's dependence upon Communist-controlled areas as a means of influencing Japan's orientation toward Communist areas. The JCP is busily organizing associations to promote China-Japan trade and is bleating about the value of such trade. Although the significance of that trade is marked, both as a source of iron ore and salt as well as high-grade coking coals and as a market for many exports, elimination of Japan's dependence for even one of the vital commodities will decrease the validity and effect of JCP propaganda. At the least, some stiffening in Japanese morale (and national pride) as a counter-action to JCP

propaganda should result from the realization that Japan has succeeded in achieving self-sufficiency in a vital material.

The forces of the right probably will be encouraged by the progress in self-sufficiency. Since a large part of their number are industrialists, the savings in costs (and increase in profits) should be a boon. Increases in political war-chests of the rightist parties can be expected. At the same time progress toward self-sufficiency may be expected to bolster the hopes of those rightists who look for Japan's resurgence as first-rate power.

3. Military: Modern war requires steel production. Hence, a prime military objective is to deprive an enemy of the materials entering into the manufacture of steel. It was the exigencies caused by US blockade of its metallurgical coking coal sources which led the Japanese to expand the application of coalite. Should Japan ever rearm, self-sufficiency in coking coal would increase Japan's military potential.

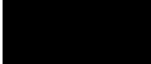
US Security aspects:

Japanese self-sufficiency in coking coal would have favorable effects on US security interests, assuming a pro-US orientation in that it would (1) eliminate Japanese dependence upon foreign sources of supply; (2) decrease Japan's vulnerability to economic penetration by the USSR; (3) deprive the USSR and the Communists of Northeast Asia of a means of bringing upon Japan economic pressure for political and economic concessions contrary to the interests of the US; (4) relieve the US of the need to subsidize Japan's coal requirements as a means of eliminating its otherwise dependence upon Communist-controlled areas for its import requirements and (5) eliminate the drain on US sources resulting from need to supply Japan.

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- 6 -

Japanese self-sufficiency in coking coal would have unfavorable effects on US security interests assuming a pro-USSR orientation in that it would (1) relieve the USSR of the necessity of shipping coking coals to Japan; (2) 



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