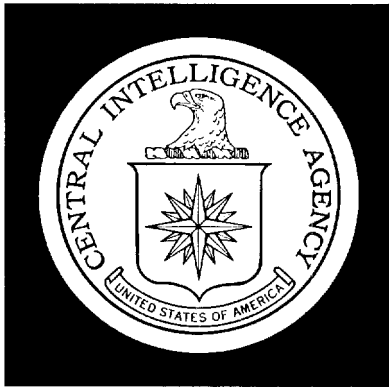


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OFFICE OF  
NATIONAL ESTIMATES

# MEMORANDUM

*New Directions in Japanese Foreign Policy ?*

**Secret**

4 January 1972

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# CENTRAL INTELLIGENCE AGENCY

## OFFICE OF NATIONAL ESTIMATES

4 January 1972

MEMORANDUM\*

SUBJECT: New Directions in Japanese Foreign Policy?

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\* *This memorandum has been discussed with the Office of Current Intelligence.*

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# CENTRAL INTELLIGENCE AGENCY

## OFFICE OF NATIONAL ESTIMATES

4 January 1972

MEMORANDUM

SUBJECT: New Directions in Japanese Foreign Policy?

*The Current Phase -- Declining Reliance on the US*

1. For the past two and a half decades -- beginning with the unexpectedly (to the Japanese) benign US occupation period -- Japan has found a secure haven in its overall close relationship with the US. Generous US economic assistance and general succor helped the Japanese over the difficult early recovery years. Then, as the nation got back on its feet, easy access to the huge US market -- both in terms of imports and exports -- played an important role in Japan's phenomenal economic growth. So too did the US sponsored entry of Japan into various international economic organizations. As of today, 30% of Japan's exports are to the US, which also supplies 29% of Japan's imports.

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Despite Japan's ever-broadening world trade, the US remains its single most important trade partner, unique in the capacity to absorb the products of Japanese fast growth industries such as autos, steel, and electronics. Moreover, the US remains the chief source of technological knowhow vital to the development in Japan of even more advanced industrial techniques such as production of nuclear energy.

2. Aside from the economic assistance from the US, Japan's astonishing rise to third place in GNP among world nations was facilitated by the secure environment provided by the US security commitment. In the tense and turbulent postwar years of the "Cold War" period, Japan was able to concentrate its attention, resources, and energies on the economic sector -- and even now expends less than one percent of its GNP for maintenance of a modest defense establishment (in contrast to 9 percent for the US). Even now when the Japanese see no immediate threat, the leadership values the mutual security link with the US, particularly the "nuclear umbrella" aspect.

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3. In addition to valuing US protection in terms of its own security, Japan -- as a trading nation -- has looked to the US as the principal agent for preserving stability in East Asia as a whole. Again, for the same economic interests, Japan has associated itself with efforts by the US to maintain political equilibrium on a worldwide basis. This consonance of basic interests between Japan and the US has been evident in the various debates and voting conducted over the years in the UN and other world forums.

4. Although in recent years Japan's relationship with the US has evolved from that of a client status toward a more equal partnership, the Japanese have continued to regard the arrangement as being a special one. The US has been both mentor and understanding friend, protector and staunch ally. In a sense, the Japanese have viewed the US as their interpreter to the West in the same way they have tended to think of themselves as being a bridge for the US to China.

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5. At the same time, aside from the recent so-called China and economic shocks from the US, other, more basic factors are at work to alter the Japanese-US relationship. Foremost, perhaps, is a natural desire on the part of the Japanese to avoid "having all of their eggs in one basket." Domestic politics now require at least the appearance of more independent policies on the part of the Japanese government, and as Japan becomes more assertive, long submerged divergencies in national interests will probably emerge to complicate the relationship. Although for the foreseeable future the political control of Japan is expected to remain with the ruling Liberal Democratic Party (LDP), the trend in the leadership of this broadly structured party is away from the ultra-conservative wing which is most closely identified with the US. The emerging leaders in the years ahead promise to be more in tune with opposition demands for less reliance on the US. Moreover, even though the opposition parties seem unlikely to upset LDP rule, at least over the next several years, collectively they represent roughly half of the people in terms of the popular vote. In a consensus society, opposition viewpoints can and do have a

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strong impact on government policy. Finally, the younger Japanese generations that are moving into political prominence display a nationalism that is unfettered by either guilt feelings over the last war or gratefulness at the largesse shown by the US to a former foe.

6. Economic factors will also increasingly affect Japan's relations with the US. Heavily dependent as it is on external sources of raw materials, Japan is accelerating its efforts to move away from overdependence on any single import market, whether it be oil from the Middle East or coking coal from the US. To a lesser -- but still important -- degree, Japan is also anxious to diversify its export markets on a worldwide basis. This trade diversification effort, carried out to the extent that Japan seems willing to carry it, portends a more flexible foreign policy and a blurring of identification with any single power bloc.

7. In the security field, the growing nationalism in Japan, the pacific inclinations of the Japanese people, and the current climate of international detente combine to make a potent force for downgrading Japan's military ties with the US. Under such circumstances, we can expect increasing

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pressure for a phasing out of US bases in Japan at a rate faster than the US -- or even Tokyo -- perhaps might wish. The strong American military presence on Okinawa, which is to remain virtually intact after reversion this year, will be the main target. Even at this stage, criticism among the Japanese of this continued presence has been so strong that the Sato government has been compelled to promise that it will seek a retrenchment of US bases on Okinawa after reversion. And, once Okinawa is safely back in the Japanese fold the government may be less able or willing to resist pressure for a reduction of the US presence there.

8. As Japan's own conventional forces gradually are strengthened under build-up plans projected over the next decade or so, the Japanese people may come to feel even less need for a continued US military presence. Moreover, in the absence of any felt external threat, many Japanese already regard the US presence as not only superfluous but detrimental to the development of a genuine independent foreign policy aimed at friendly relations with all nations, particularly Communist China. Even the tough-minded Sato government now appears disturbed by the implications of its designation of

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Taiwan as an important security factor for Japan in the context of the basic 1969 agreement with the US on Okinawa's reversion. In addition to a latent fear that the US military presence may draw them into hostilities not of their own choosing, many Japanese suspect that US emphasis on defense burden sharing is aimed at propelling Japan into an unwanted regional security role.

9. The Japanese are also unsure of the scope and pace of US military withdrawal from East Asia under the Nixon Doctrine. Many Japanese question the validity of US security commitments to Japan, and these doubts will grow as the US further reduces its presence. In time, this uncertainty is likely to lend impetus, on the one hand, to the build-up of Japan's Self Defense Forces, and, on the other, to the adoption of a more neutral -- or independent -- foreign policy.

*Japan's Neighbors Beckon*

10. Sensing unusual opportunities, both Peking and Moscow are attempting to exploit the political ferment and uncertainty existing on the Japanese scene today. China has stepped up its "invitational diplomacy" and the USSR has

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refurbished its "smiling diplomacy" toward Japan. Both to disarm critics of Japan's close identification with the US and to satisfy its own interests, the Sato government is assessing possible avenues opened up by such overtures.

11. Peking has been blatantly courting those Japanese deemed favorable to its cause while rebuffing those considered enemies. Responding to the bait, ambitious Japanese politicians and trade-hungry businessmen are scrambling to be invited to Peking for talks. Joining in the rush -- along with selected members of the ruling Liberal Democratic Party -- are leaders of all the opposition parties with the exception of the Japan Communist Party, currently on the ideological outs with Peking.

12. In discussions to date with sympathetic Japanese, Chou En-lai and other Chinese officials have listed varying prerequisites for normalization of relations, the most basic being: recognition by Japan that the People's Republic of China (PRC) is the sole legitimate government of China -- including Taiwan -- and abrogation of Japan's 1952 peace treaty with Taiwan. The Chinese are holding out the promise of diplomatic relations, a peace treaty, and even a friendship

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and non-aggression pact if Japan meets these conditions. The full extent of Chinese demands for a broad rapprochement is unclear. Although renunciation of Japan's security ties with the US was a key demand in the 1960's, Peking has not pressed for this lately. On this and other issues the Japanese profess to see considerable flexibility on Peking's part.

13. There already has been a considerable shifting of Japanese policy gears toward China. Washington's unilateral opening to Peking has telescoped Japan's timeframe of debate on the critical issue of recognizing China and has added impetus to already widespread sentiment for better relations with Peking. Sato now speaks in favor of early normalization of relations and recognition that Taiwan is part of a "one China." His would-be successor, Foreign Minister Fukuda, is cautiously attempting to strike an even more accommodating posture.

14. Not unexpectedly, the trend in Japan toward a rapprochement with China has elicited a countereffort by the USSR. For the past few years, as part of its containment strategy against China, Moscow has been engaged in an effort of sorts to curry favor with the Japanese, but in

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recent months the Soviets have been trying harder. In discussions with various Japanese officials and political figures in both Tokyo and Moscow, the Soviets have been probing whether they can capitalize on Japan's resentment of recent US political and economic initiatives. Preparations are also underway for resumption of annual meetings of Foreign Ministers, suspended since 1967; a Gromyko visit early this year is being discussed.

15. In conversations with the Japanese, the Soviets are taking the line that Japan has little to gain from normalizing relations with China, arguing that economic relations with the USSR offer much greater potential. In this connection, the Soviet ambassador is reported to have urged the Japanese recently to dispatch a top-level economic delegation to Moscow. The ambassador claimed that the Soviets would greet such a group with a warmer reception than accorded previous Japanese missions and would respond with a "dramatic initiative." This might involve a more substantial infusion of Japanese technology and capital into Siberia for joint exploitation of natural resources.

16. The Japanese, perhaps wishfully, recently have detected indications of possible flexibility on the part of the Soviets in the so-called Northern Territories dispute. This

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concerns Japanese claims to several islands off the northernmost main island of Hokkaido, which were seized by the Soviets at the close of World War II. The disputed islands are of little intrinsic value but are of strategic military use to the Soviets who have built elaborate anti-submarine defensive systems on the two northernmost ones. Aside from purely nationalistic instincts to recover lost territory (a smaller version of Okinawa) the Japanese would breathe easier if the Soviet military presence were removed beyond eyesight (the closest islands are visible from Hokkaido on rare fog-free days). In recent years, the Soviets have brusquely rebuffed repeated Japanese requests to discuss the issue, contending that the matter is closed. For its part, Japan refuses to sign a peace treaty with Moscow -- formally ending World War II hostilities -- until the islands are returned.

17. Now however, faint hopes have been raised among the Japanese that the Soviets might be willing to return the small islands closest to Hokkaido. If a suitable formula could be achieved which would leave open Japan's claim to the others -- the two southern Kuriles -- it is possible that Sato or his successor might make a trip to Moscow on the strength of a half-a-loaf victory.

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*Immediate Japanese Response -- Caution*

18. How is Japan responding -- or is liable to respond -- to these various and frequently divergent influences? In the short range, there is little reason to expect any abrupt, marked change in Japan's foreign posture. The Japanese are a cautious and deliberate people, and -- despite some anticipated shifts in emphasis -- the basically conservative nature of Japan's leadership should prevail for the foreseeable future. Barring the emergence of an external threat or the occurrence of severe economic disruption, Japan will have the opportunity to make necessary or desired adjustments in its national policies in an unhurried fashion.

19. Stabilization of relations with the US is of immediate concern for the Japanese. Despite present strains, this relationship remains the keystone of Japanese foreign policy. Congruent basic interests in the maintenance of world order plus Japan's present degree of economic and security reliance on the US impel the Japanese toward accommodation rather than resistance in differences with the US.

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20. Actually, the various "shocks" absorbed in recent months by Japan have had a sobering effect on the Japanese, heretofore prone to complacent introspection after so many years of unusually intimate association with the US. The ultimate result of these shocks probably will be to hasten the coming-of-age process of a renascent Japan, whose economic attainments have far outstripped its international political maturity. The Japanese are likely to emerge more self-confident, and more prepared psychologically to stand on their own feet. The trend in Japan toward a fully equal and independent relationship with the US has been in train for many years, but has now been accelerated.

21. Manifestations of a more independent approach to foreign policy by the Japanese are already becoming apparent. Tokyo is pushing ahead more rapidly than expected with recognition of Mongolia, while expanding its political contacts with North Korea and North Vietnam. Implicit in these undertakings is the desire to maintain the diplomatic initiative in East Asia so as not to be caught off guard again by possible future US moves. But it is on the central

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issue of China that the Japanese are concentrating their main efforts. Despite the hurdles involved, Japan's leadership seems determined to precede the US in establishing diplomatic relations with Peking; the Japanese estimate that they have ample time to bargain and accomplish this with dignity. While the Japanese do not expect much actual movement to occur during the remaining prospective six months or so of Sato's tenure, they will be using this time to prepare the way for possible rapid progress thereafter. Although the Japanese have been fairly candid about their moves thus far, the US Embassy in Tokyo no longer takes it for granted that there necessarily will be full prior consultation in such matters.

*The Longer Term -- Search for a New Balance*

22. In the somewhat longer-range, the Japanese have considerable potential for maneuvering within the developing power relationships in the Far East. The Sino-Soviet rift, the US-Soviet nuclear standoff, and US efforts to reach a detente with Peking while maintaining a stable relationship with Moscow create a climate for Japan to balance off

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its relations among the other three members of the new Pacific quadrilateral power arrangement. For example, Tokyo probably feels that in negotiations with Peking for normalization of relations it can extract more favorable terms by exploiting China's heightened concern over growing Soviet "encirclement" in South Asia. But basically, Japan probably counts on the attraction of its economic capabilities as the more solid foundation for possible closer relations with both the USSR and China.

23. It is in Tokyo's future relations with Peking that the greatest potential lies for a significant change in Japan's international posture. The Japanese appear to have made the strategic decision that their longer-range economic interests as well as concerns for regional stability can be served by achieving an effective relationship with the Chinese. After their abortive championing of Taiwan's right to retain UN membership, the Japanese have taken the attitude that they have discharged their moral obligations to the Nationalists. The Japanese seem confident that they can meet Peking's demands on the Taiwan

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issue -- recognition that Taiwan is an integral part of China under the sole legitimate government of the People's Republic of China -- and still maintain their economic interests on the island during an indefinite interim period during which the Chinese themselves resolve their differences. In effect, this would amount to a reversal of the already shifting pattern under which Japan's major economic enterprises handle trade with Taiwan while dummy companies carry out parallel activities with the mainland. The Japanese are also sanguine that they can sidestep China's demands that Japan abrogate its 1952 peace treaty with Taiwan. Taking the line that this issue can be negotiated in the course of discussions with Peking on normalization of relations, the Japanese feel that the treaty will become a dead issue and "fade away" naturally as Japanese-Chinese relations are restored.

24. Although anxious to expedite a settlement with China, the Japanese must overcome some internal problems in addition to facing stiff bargaining with the Chinese on terms. Despite the expanding "China mood" in Japan, the strong opposition of the dwindling, but still influential,

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pro-Taiwan advocates must be considered. This opposition may well retard and complicate the task of achieving a rapprochement with Peking, but it is not strong enough to derail the effort.

25. While not altering Japan's basic pro-Western orientation, relations with Peking could serve as a counterpoise to the Japanese feeling of overdependence on the US. Tokyo, no doubt, is encouraged by the flexibility exhibited toward Japan by Chinese leaders in private discussions; many Japanese have been impressed by Premier Chou En-lai's remarks to visiting Japanese businessmen to the effect that the economies of the two countries are complementary, that China needs Japanese trade to accelerate its economic development, and that competition for overseas markets need not become a problem because of China's concentration on its domestic growth.

26. As regards the expansion of Japan's relations with the USSR, prospects are that this will move slowly. More extensive mutual economic projects for the exploitation of Siberian resources may be worked out as time goes on, and greater accord probably will develop over Japanese fishing

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rights in the seas north of Japan. In time, some compromise solution may even be reached in the Northern Territories dispute so as to permit the signing of a peace treaty. Japanese distrust and dislike of the Russians is still deep, however, and an intimate relationship would be a long time in emerging -- if it ever did. Japan's approach to the USSR will be influenced by two main considerations: (1) the intrinsic value of whatever economic deals are possible; and (2) the leverage provided in dealing with China.

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