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PROBABLE DEVELOPMENTS IN JAPAN'S INTERNATIONAL ORIENTATION

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

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PROBABLE DEVELOPMENTS IN JAPAN'S INTERNATIONAL ORIENTATION

THE PROBLEM

To analyze recent trends and to estimate probable developments in Japan's international position and orientation over the next five years.

CONCLUSIONS

1. Over the next five years, Japan will probably remain basically aligned with the US. Within this alignment, however, Japan will be more assertive in pursuing its independent national interests. Supported by a strong and growing economy, Japan probably will increase its economic, political, and diplomatic influence, especially in South and Southeast Asia. Japan will increasingly identify itself with the Afro-Asian states, particularly in the UN, but on fundamental issues will continue to cooperate with the US and the West. (*Paras. 8, 22, 36*)

2. Japan will probably continue to depend primarily on US deterrent strength for its defense. Popular opposition to the idea of rearmament as well as to its cost will continue to restrict Japan's defense effort, although we believe that this opposition will gradually diminish. We believe that five years from now Japan's defense establishment will be substantially more modern than now planned.

Nevertheless, the armed forces will still have only a limited ability to defend Japan against major attack. (*Paras. 21, 29*)

3. If negotiations for revision of the US-Japan Security Treaty end in a mutually satisfactory agreement, the US bases in Japan can be maintained for at least the period of this estimate. If such a mutually satisfactory agreement is not achieved, US-Japanese relations would gradually deteriorate. Even in this situation the US base position could probably be maintained for at least a year or two, but Japanese pressure for the elimination of the bases would increase rapidly and might result in making effective operation of the bases impossible. (*Para. 31*)

4. We do not believe that the Japanese Government will consent to the deployment of US nuclear weapons in Japan in the foreseeable future. We believe that it would consent to the use of US bases in Japan for the launching of air attacks,

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2

nuclear or otherwise, against targets on the mainland of Asia only if Japanese leaders were convinced that Japan itself was directly threatened. In the event of a Communist attack on South Korea it is likely that the Japanese Government would be convinced that Japan itself was directly threatened and would agree to nonnuclear attacks on targets in Korea. It might even agree to the use of nuclear weapons if this appeared necessary to keep South Korea out of Communist hands. In case of US involvement in hostilities with the Communist Bloc in defense of Korea, Taiwan, or Southeast Asia, we believe that the Japanese Government would consent to the use of US bases for staging, supply, and maintenance support of operations. However, it would probably place limitations on such use of the bases, the extent of which would depend upon its own estimate of the importance of the threatened area to Japan's security as balanced against the degree of risk of Japanese entanglement in the hostilities, and the possibility of retaliatory attack on Japan itself. Regardless of the Japanese Government's decision, effective and sustained use of US bases in Japan would probably be impossible if the Japanese public in general, and organized labor in particular, actively opposed their use. (Para. 32)

5. Japan's relations with the Bloc will probably not become close during the next five years. However, Japan will seek to minimize frictions with Moscow and Peiping. Trade with the USSR will probably continue to increase, but it will amount

to only a very small fraction of Japan's total trade. There will probably be some improvement in the current strained relations with Communist China, and trade with China will probably be resumed within the next year or so. If Communist China is admitted to the UN or if other major nations such as Canada and France recognize the Peiping Government, domestic pressures will probably force Japan to offer recognition regardless of US action. However, we do not believe that Japan would recognize Peiping if this entailed acceptance of Communist China's claim to Taiwan. (Paras. 33-34)

6. Japan's present close working relationships with the US will probably continue as long as Prime Minister Kishi remains in power. Kishi's political future is uncertain. If he should be replaced by another conservative leader, US-Japanese working relationships would probably be more difficult, especially if the transfer of power were accompanied by acute dissension in conservative ranks. However, we believe that as long as the government remains in conservative hands Japan's international orientation will remain basically unchanged, and that satisfactory US-Japanese relationships can be maintained. If the Socialists should come to power, which we believe unlikely, Japan's foreign policy would move toward a neutralist position and the government would seek closer relations with the Bloc. However, a Socialist government would probably not move as rapidly or as far toward the Bloc as the Socialist Party program suggests. (Paras. 23-24)

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3

DISCUSSION

I. JAPAN'S PRESENT INTERNATIONAL ORIENTATION¹

7. Japan is in a period of transition, moving from a position of heavy dependence on the US toward a position of greater independence, in which it relies increasingly on its own resources and efforts. However, aware that Japan is not strong enough to go it alone and fearful of Communist Bloc intentions, the Japanese continue to look to the US for protection, economic opportunity, and help in achieving their national aspirations. Japan's present leaders realize that the Communist Bloc poses a grave threat to Japan, and that Japan's security against external aggression depends almost entirely on US deterrent strength. The Japanese economy is also critically dependent on trade with the US, Japan's principal trading partner. For these reasons the maintenance of close ties with the US continues to be the cornerstone of Japanese foreign policy.

8. On the international scene, Japan's inhibitions to independent action remaining from the occupation have been largely overcome by a growing spirit of self-confidence and national assertiveness. Japan's approach to foreign policy problems is becoming more direct and positive, and its leaders are becoming more independent-minded in defining Japan's national interests. Prime Minister Kishi and his associates have done much by their own policies and conduct to give Japan this fresh sense of national purpose. While Japan's leaders see clearly the value of close cooperation with the US, their values, attitudes, and aspirations are Japanese, and they are prepared to resist US wishes on those occasions in which Japan's own interests appear to dictate a different course.

9. Although Japan's present pro-Western orientation is supported in some degree by most Japanese, there continues to be considerable

¹ Also see annex for discussion of political, economic, and military factors bearing on Japan's international orientation.

neutralist sentiment within Japan and strong political pressure on the government to normalize relations and to revive and expand trade with Communist China. The Socialists and the Communists, who exercise considerable influence on organized labor and various mass organizations, oppose Japan's close identification with the US. Even among the conservatives there are wide differences in emphasis and in basic views as to the course Japan should follow. The government's problems in maintaining Japan's present international orientation are further intensified by economic and political pressures from the Bloc. However, the Japanese Government under Kishi, thus far, has stoutly resisted both internal and external pressures to loosen ties with the US and to move toward closer relations with Peiping and Moscow.

10. Since Kishi assumed office in 1957, the main points of issue in US-Japanese relations have not changed. There is continued concern and resentment at resistance in the US to imports of Japanese goods. The Japanese leaders are disappointed that the US has not actively backed their scheme for a Southeast Asia regional development program or done more to assist them in their efforts to expand Japanese trade in Southeast Asia. The Japanese continue to be sensitive to issues arising out of US control and administration of the Ryukyu-Bonin Islands and to US nuclear weapons tests in the Pacific. However, these issues have become progressively easier to deal with, partly due to the efforts of the Kishi government to improve relations with the US and partly to US policy, which has recognized Japan's desire to assert its national identity and independence.

11. The major issue in US-Japanese relations is the dissatisfaction in Japan with the present Security Treaty. The specific modifications which the Japanese desire include: (a) prior consultation concerning the introduction of nuclear weapons into Japan or the use of US bases or forces in Japan to support military actions elsewhere in the Far East;

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4

(b) a commitment by the US to defend Japan; (c) the right of either party to terminate the treaty after adequate notice; and (d) the elimination in the treaty of references to US participation in dealing with internal disturbances. The request for treaty revision is based primarily upon a fear that Japan might become embroiled in war as a result of the operations of US forces based in Japan and a conviction that the present treaty is inconsistent with Japanese sovereignty. Most conservatives favor maintenance of a US-Japan treaty relationship with modifications, although there are differences as to how the present treaty should be revised. The Socialist and Communist Parties advocate abrogation of the treaty.

12. Most Japanese leaders recognize the threat of the Communist Bloc, but they generally regard Communist domination of the China mainland as a fact they must learn to live with. Under these circumstances the Japanese feel that they cannot afford to antagonize the Bloc unduly and that they must, in time, arrive at some sort of *modus vivendi* with it.

13. At the same time, the Japanese have felt sufficiently secure to stand firm against strong political and psychological pressures from the Bloc without conceding on issues and positions considered vital. In 1956, for example, Japan reached agreement with the USSR to establish diplomatic relations but has thus far refused to sign a peace treaty without receiving some satisfaction with respect to the return of the southern Kurile Islands of Etorofu and Kunashiri.

14. Similarly, Japan has resisted pressures from Communist China designed to force Japan to break off relations with the Republic of China and to recognize Peiping. In May 1958, Communist China suspended all trade between the two countries and has sought by every means to undermine the prestige and popular support of the Kishi government.

15. The majority reaction in Japan to obvious Bloc economic and political pressures has increasingly become one of resentment of foreign interference and stronger support for the

government. There is also a growing realization in Japan that Communist China, with its expanding industrial power, poses an increasing economic and military threat. However, Japanese attitudes toward Communist China are colored by a sense of cultural affinity with China, and a feeling that Japan by its superior talents can, in any case, deal with the Chinese and come out on top. These sentiments, combined with the still existing vision of a vast China market, a desire not to be outstripped in China trade by European competitors, and the vocal clamor of the Socialists and Communists, place strong and continuing pressures on the government for a normalization of relations with Communist China.

16. Taiwan continues to be a dilemma for Japan's policy makers. Although they have little confidence in the durability of the Nationalist Government, Japan's conservative leaders consider it important to Japan's security that the island of Taiwan be kept out of Communist hands. The Japanese leaders have not yet worked out a solution to this dilemma. They are inclined to favor a "two China" solution or an independent Taiwan guaranteed by the UN but are aware that neither of these is currently feasible. For the present the Japanese seem content with the *status quo*.

17. The Japanese leaders consider it highly important to Japan's security that at least the southern portion of the Korean peninsula be kept in non-Communist hands. Primarily for this reason Japan has persisted in its efforts to normalize relations with the Republic of Korea. Although negotiations continue sporadically, little progress has yet been made, in large part because of President Rhee's intransigence. Korean efforts to exclude Japanese vessels from traditional fishing grounds in international waters, and disputes concerning the status of the Korean minority in Japan are symptomatic of the basic lack of trust and rapport between the two countries.

18. In its relations with the Afro-Asian nations Japan is seeking to establish its identity as an independent Asian nation, to dispel the belief that it is a satellite of the US and to

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minimize fears and suspicions lingering from Japan's military conquest of Southeast Asia. Japan is stressing the commercial aspects of its relations with the countries of South and Southeast Asia and is making progress in expanding and improving its economic and diplomatic relations in that area. Its economic activities are also expanding to Africa and to the Middle East where it has recently negotiated major oil concessions in Saudi Arabia and Kuwait. However, Japan's economic and diplomatic influence in non-Communist Asia is still limited.

19. The Japanese have a special fear of nuclear war and regard "peace" as a positive national goal. Japan's vigorous activity in the UN since its admission in 1956 is designed in part to enhance its prestige and status, but it is also based on the belief that the UN offers the best ultimate hope of maintaining world peace, and that Japan must do everything possible to strengthen and support it.

20. During the past two years, Japan's international goals and aspirations seem to have crystallized and, especially under Kishi's leadership, the country has begun rapidly to carve out its own unique position in world affairs. Japan appears to see its destiny as that of a "minor great power," utilizing diplomacy and its industrial and commercial resources rather than military strength to further its national interests. In the UN and on the international scene generally Japan seeks to play the role of a stalwart worker for peace, contributing to the "easing of tensions" everywhere. In Asia it clearly hopes to compete with India and Communist China for economic and moral leadership. Japan is apparently striving for recognition and prestige as an independent Asian nation voluntarily cooperating with the West and the US. The role which Japan's leaders probably would most like to fulfill is that of interpreter and bridge between Asia and the West — a part of both, but dominated by neither.

21. In the military field, Japan is unwilling to participate directly in the defense of any territory other than Japan itself. At present Japan's defense effort is a modest one, and

its forces are capable of little more than maintaining internal security. The Japanese people remain highly fearful of a revival of militarism and they and their leaders are very reluctant to divert financial and material resources from economic development and social welfare programs to rearmament. Moreover, most Japanese leaders believe that Japan could play little part in either deterring a war between the US and the Communist Bloc or in affecting the outcome of such a war. Although continuing the gradual build-up of its own defense forces, Japan is not thinking in terms of adding an important increment of strength to the free world forces or of making its forces available for the defense of other free Asian nations in the near future. Nevertheless, over the past year or so, the idea that Japan should do more to provide for its own defense has gained increasing acceptance, both for reasons of national pride and as a reflection of the nation's desire for greater independence in every field.

II. PROBABLE FUTURE TRENDS IN JAPAN'S INTERNATIONAL ORIENTATION

22. Over the next five years, Japan will probably remain basically aligned with the West. However, the nature of the US-Japanese relationship will continue to undergo considerable change. The Japanese will base their policies increasingly on their own independent analysis of Japanese national interests. The major features of Japan's foreign policy will probably be its growing urge to pursue an independent course in world affairs and its continuing efforts to expand its industrial power and foreign trade. The Japanese people, impressed by the tremendous progress in the postwar period, will probably continue to have confidence in their economic future. Further economic growth at a fairly high rate over the period of the estimate is probable.

23. Japan's continued active cooperation with the US will depend in large part upon the degree to which US policy complements Japan's own search for security, international status, and commercial opportunity. It will also depend, in part, on the political future of Prime Minister Kishi, who appears to be

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more firmly convinced than many of his conservative colleagues of the need for Japan to maintain and strengthen its ties with the US and the West. As long as he remains in power, problems arising in US-Japanese relations will probably be capable of amicable and reasonable solution. If Kishi should be replaced by a Liberal-Democratic leader less enthusiastic about maintaining the present close ties with the US and less scrupulous about exploiting foreign policy issues for domestic political advantage, working relationships between the two countries would probably be more difficult. However, we believe that Japan's general international orientation would remain basically the same and that a satisfactory US-Japanese relationship could probably be maintained.

24. If the Socialists should come to power, which we believe unlikely, the government would probably move toward recognition of Communist China and, over a period of time, toward a neutralist foreign policy. However, even a Socialist government would be conscious of the importance of Japan's economic and security ties with the US, and, in any event, would be restrained by the conservative Japanese elements. Consequently, a Socialist government would probably be unable to move as rapidly or as far toward the Bloc as the Socialist Party program suggests.

25. In its relations with the US Japan will continue to be highly sensitive to economic and commercial considerations. If the Japanese should come to believe that they were being denied fair and reasonable access to the US market, Japanese-US relations would be seriously strained, and within Japan pressures for neutralism and for closer relations with the Bloc would greatly increase.

26. Japan will almost certainly continue to have a large trade deficit with the US. In the past this deficit has been offset by special dollar receipts from yen sales to US troops, US military expenditures, and third country procurement programs under International Cooperation Administration auspices. These special dollar receipts decreased considerably during 1957 and 1958 mainly because of the reduction of US troops in Japan, and further

decreases are likely. However, so long as there is no drastic drop in special dollar receipts, Japan's dollar gap will probably not become serious. Nevertheless, it is important for Japan to maintain a rising level of exports to the US.

27. Japan is critically dependent upon foreign trade and must import most of its raw materials and much of its food. Its over-all balance of payments position is thus vulnerable to factors beyond its control, such as international market conditions, the pricing of its competitors, trade and exchange restrictions, and fluctuations in the prices of its imports. In general, however, Japan's economic position will probably be sufficiently strong to permit Japan to play an increasingly important role in international economic affairs. Southeast Asia will be the main, but not the sole, area of increased Japanese economic activity. Japan will continue to urge the US to finance economic development programs in this area, and it will continue its own modest programs.

28. Japan will press for greater voice and participation in the affairs of the Ryukyus, and within the period of this estimate will probably make serious representations for resuming a large part of civil administration of the islands. However, the US base position in the Ryukyus is at present stable and it is almost certain that the US can maintain unimpeded use of the bases during the next five years.

29. Japan will probably continue to depend primarily on US deterrent strength for its defense. However, the Japanese Government's interest in improving Japan's over-all defense posture has increased, particularly since the US withdrew its combat ground forces in 1957. There is a growing feeling in Japan that the country should have a modern defense establishment in keeping with its status as an independent nation of increasing economic and political power. Although there is still strong resistance to the economic sacrifices necessary for rearmament, popular opposition to a defense build-up appears to be gradually decreasing. Consequently, we believe that Japan, of its own accord, will increase

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7

gradually the pace of its military effort, and that by the end of the period of this estimate its defense establishment will probably be substantially more modern than envisaged under present plans. It will probably place increasing emphasis on its air and sea forces and on acquiring and developing its own modern, technically advanced weapons, including missiles for defensive purposes. Nevertheless, the armed forces will still have only a limited ability to defend Japan against major attack.

30. Japan will probably make substantial progress in research and development of nuclear energy for peaceful uses within the period of this estimate. As Japan moves forward in the peaceful use of nuclear energy, present Japanese antagonism toward nuclear weapons will probably diminish. Japan may eventually develop its own nuclear weapons, although not within the period of this estimate.

31. There is still strong opposition in Japan, particularly from the Socialists, Communists, and the left wing elements in organized labor, to the presence of US bases, and regardless of the terms of a revised US-Japan Security Treaty such opposition will continue. If the negotiations now under way eventually end in an agreement satisfactory to the Japanese Government and the conservatives, the US base position in Japan can probably be maintained for at least the next five years. If such a mutually satisfactory agreement is not achieved, US-Japanese relations will gradually deteriorate. Even in this situation the US base position could probably be maintained for at least a year or two, but Japanese pressure for the elimination of the bases would increase rapidly and might result in making effective operation of the bases impossible.²

32. We do not believe that the Japanese Government will consent to the deployment of US nuclear weapons in Japan in the foreseeable future. We believe that it would consent to the use of US bases in Japan for the launch-

² For further discussion of the US base position in Japan see SNIE 100-10-58, "Threats to the Stability of the US Military Base Position in Selected Overseas Localities," 21 October 1958; paragraphs 34-38.

ing of air attacks, nuclear or otherwise, against targets on the mainland of Asia only if Japanese leaders were convinced that Japan itself was directly threatened. In the event of a Communist attack in South Korea it is likely that the Japanese Government would be convinced that Japan itself was directly threatened and would agree to nonnuclear attacks on targets in Korea. It might even agree to the use of nuclear weapons if this appeared necessary to keep South Korea out of Communist hands. In case of US involvement in hostilities with the Communist Bloc in defense of Korea, Taiwan, or Southeast Asia, we believe that the Japanese Government would consent to the use of US bases for staging, supply, and maintenance support of operations. However, it would probably place limitations on such use of the bases, the extent of which would depend upon its own estimate of the importance of the threatened area to Japan's security as balanced against the degree of risk of Japanese entanglement in the hostilities, and the possibility of retaliatory attack on Japan itself. Regardless of the Japanese Government's decision, effective and sustained use of US bases in Japan would probably be impossible if the Japanese public in general, and organized labor in particular, actively opposed their use.

33. Although the Japanese will be wary of Chinese motives, we believe they will continue to seek an improvement in relations with Peiping. Direct trade between the two countries will probably be resumed within the next year or so. However, as long as Communist China continues to rely primarily on the Bloc for support of its industrialization and modernization programs, total Sino-Japanese trade during the period of this estimate will probably not exceed an annual average of approximately \$300 million, about double the 1957 level. This would still be only about three percent of Japan's total trade. Major sources of friction between Japan and Communist China will probably include Japan's inclination to accept a "two China" situation, the continuation of US base rights in Japan, and their growing economic competition in South and Southeast Asia. Despite these difficulties most Japanese appear to regard as inevi-

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8

table the eventual normalization of relations between Tokyo and Peiping.

34. If Communist China is admitted to the UN or if other major nations, such as Canada and France, recognize the Peiping Government, domestic pressures will probably force Japan to follow suit regardless of US action, although in this event Japan would in advance seek the understanding of the US. However, we do not believe that Japan would recognize Peiping if this entailed acceptance of Communist China's claim to Taiwan. Japan will probably continue to favor, and may take an increasingly active role in seeking, some formula which it believes will keep Taiwan non-Communist.

35. Japan will probably continue actively to seek a rapprochement with the Republic of Korea, although it has a strong distaste for President Rhee's regime. However, Japanese-Korean relations will probably not improve significantly until Rhee leaves the scene. In

general, Japan will go along with the US position on the unification of Korea and of Vietnam, and it is not likely to recognize either the North Korea or North Vietnam regime during the period of this estimate. However, Japan will continue and probably increase its trade, mostly coal imports, with North Vietnam.

36. Japan will continue gradually to strengthen its economic ties with the Afro-Asian nations, Latin America and the Middle East. In South and Southeast Asia particularly it will make major efforts to expand trade and to provide technical assistance, yen credits, and capital investment. This increase in economic activity will probably result in increased diplomatic and political influence for Japan in these areas. Although in its relations with the Afro-Asian nations Japan will stress its independence from the US, we believe that on fundamental issues Japan will continue to cooperate with the US and the West.

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9

ANNEX

FACTORS BEARING UPON JAPAN'S INTERNATIONAL ORIENTATION

I. POLITICAL

A1. *The Kishi Government and the Conservatives.* Prime Minister Kishi was in a strong position immediately following the May 1958 elections, which returned a heavy conservative majority (298 of 467 seats) to the lower house of the Diet. As a result of this public confirmation of his leadership and policies he was able to strengthen his control over the conservative Liberal-Democratic Party (LDP) and to exercise considerable independence in selecting his cabinet. The withdrawal of several senior party members from the center of the political scene, and growing public support for Kishi's foreign and domestic policies gave the LDP the appearance of greater cohesion than at any time since it was formed in 1955. Among these policies are measures to reduce communist influence and political activities in the labor movement and to expand greatly social welfare programs, including health and unemployment insurance and, eventually, old age pensions for virtually the whole Japanese population.

A2. Despite this promising beginning, Kishi's political position and prestige were weakened in October–November 1958 by the clamor and opposition generated by the press, the Socialists, organized labor, and the Communists to his effort to pass legislation designed to increase the power of the police. These developments have aroused the latent opposition of Kishi's rivals in the Liberal-Democratic Party, who hope to exploit his current difficulties to weaken and eventually unseat him. Kishi apparently has weathered the immediate political storm, but he has been forced to withdraw the police bill and to move more cautiously in other areas, e.g., in the Security Treaty negotiations. His position is by no means as secure as it appeared following the May 1958 elections.

A3. *The Socialists.* The Japanese Socialist Party (JSP) represents an alternative to the Liberal-Democrats, ready to take power if they should collapse. There are sharp differences between the predominant left wing, with its attachment to Marxist revolutionary tenets, and the right wing. The party lacks agreed purpose, other than opposition to the government. It is rife with factionalism based on wide ideological differences and personal rivalries, and its strength is limited by its close identity with organized labor. The party maintains close contact with Sohyo (General Council of Labor Unions), Japan's largest labor federation, and most Socialist candidates depend heavily upon Sohyo's financial contributions and organizational talents. In return, the JSP supports virtually all labor-inspired policies and activities despite frequent disapproval by the public of labor tactics. The party also attracts many Japanese intellectuals and some of the "floating vote" in urban areas.

A4. Although the number of votes cast for the Socialists has increased gradually in recent elections, they have not yet been able to obtain the support of more than one-third of the electorate. In the May 1958 elections the Socialists increased their representation in the lower house of the Diet by only seven seats, to a total of 167. An analysis of the vote showed that although the Socialists continue to draw the labor vote they do not dominate the urban areas. Furthermore, they have not made significant headway among the farmers and the small businessmen who make up the largest portion of the Japanese population and whose support they must win if they are ever to attain a Diet majority. The central dilemma of the Socialists is that if they were to adjust their policies and appeal to win greater support from the traditional conservative rural areas they would risk the loss of labor sup-

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10

port. On the other hand, if they were to resort to violence or turn to the left, they would risk the loss of the conservative wing of the party.

A5. *The Communists.* Japan Communist Party (JCP) membership has declined in the past two years and the party remains a weak and isolated force in the Diet. In the lower house elections of May 1958, Communist candidates polled a little over 1,000,000 votes (2.6 percent of the total) and lost one of their two seats. Party membership now stands at an estimated 70,000. Internal morale and discipline are bad, and internal factionalism is a serious problem.

A6. The JCP's internal difficulties stem from dissatisfaction with the party's present policies which have failed to revitalize the party or to heal factional cleavages. Earlier violent tactics having backfired, the JCP since 1954 has pursued a policy of peaceful political activity and nonviolent agitation. Its strategy has been based on an all-out effort to win the cooperation of the Socialists in a joint political front. The failure of the party either to enhance its popular standing or to break down its political isolation has led to open criticism of party strategy and tactics. While the dominant leadership group favors an anti-US political emphasis in support of Bloc foreign policy, an important minority faction advocates a more domestically oriented approach giving primary attention to an attack on domestic capitalism. In addition, there is also an extremist element which demands a return to "direct action" violence. These differences recently precluded any agreement on basic policy at the JCP's 7th National Congress, the first in 11 years.

A7. Despite lack of unity and parliamentary weakness, the JCP nevertheless remains an important pressure group in Japanese political life. Although the party has made little progress toward its goal of a united front with the Socialists, it exerts considerable leverage on Socialist oriented trade unions and mass organizations. Its heavy infiltration of many such groups, including the teachers', government employees', and railway workers' unions, has enabled it to exert an influence dispropor-

tionate to its size on Japanese public opinion, especially when it exploits already existing popular attitudes that parallel Communist objectives. Such attitudes include opposition to rearmament, fear of involvement in war, and opposition to nuclear tests in the Pacific. There is little cooperation between the JSP and the JCP, especially at the national level, although at times Socialist candidates have accepted local JCP support and the conditions accompanying such support. In general the two parties are competitive, seeking support from the same social and economic groups, and often stressing the same political issues and similar political programs.

A8. The JCP has substantial capabilities for mass violence and sabotage. An estimated 30,000-40,000 of its members may be termed hardcore Communists who would remain loyal to the party under trying and hazardous circumstances. Probably half of this number are ready to engage in illegal and covert activity.

A9. *The Ultrationalists.* Ultrationalists or extreme right-wing movements appealing for a restoration of the authority and power of the Emperor, for a revival of Japan's military power, and for an all-out assault against Communism remain active on the fringe of Japanese political life, but they continue to be poorly organized, weakly supported, and generally ineffective. The ultrationalists are unlikely to be a major force in Japanese politics in the foreseeable future.

A10. *Political Prospects.* Provided Japan avoids an economic crisis and the international situation does not seriously deteriorate, the Japanese Government for the next five years will almost certainly remain in the hands of the conservatives. The prospects for the tenure of Kishi himself are uncertain. Factional rivalries and the internal struggle for power will continue to threaten conservative unity, and a new conservative split leading to formation of a third party made up of dissident conservatives and right-wing Socialists, while unlikely, is a possibility. Nevertheless, present trends toward political conservatism in Japanese politics will probably continue over the next few years.

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11

A11. If Kishi should be forced out of office, political power could pass to any one or to a combination of several other LDP factional leaders, including Ikeda, Kono, Miki, and Sato, who initially at least might exercise their power through a figurehead Prime Minister such as Ishii or Ishibashi. These men are generally oriented toward the US and favor most of the foreign and domestic policies which Kishi has initiated. However, US-Japanese working relationships would probably be more difficult. Kono in particular might be more willing to explore alternatives to Japan's present policy of close alignment with the US, especially if he felt that his domestic political position would be strengthened thereby. The difficulties would be accentuated if the transfer of power were accompanied by a prolonged period of dissension in conservative ranks. Even if Kishi remains in office for the next two or three years his experience with the police bill will probably cause him to be more cautious in pushing necessary but politically risky measures.

A12. The Japanese Socialist Party will continue to exercise considerable influence on public opinion and to harass the conservative government and restrict its freedom of action. However, the Socialists will probably remain essentially a class party, aligned with and largely dominated by organized labor. For this reason the Socialists will probably not be able to dispel the widespread distrust with which they are regarded by the majority of Japanese or attract much more than the one-third of the electorate which now supports them. We do not believe that the Socialists will repudiate the parliamentary system and seek power by revolutionary means, even though some left-wing members, discouraged by the dim prospects of attaining power by parliamentary means, may advocate such a course and from time to time engage in strong-arm tactics. Despite their internal differences we believe that the Socialists will hold together and will concentrate their efforts on strengthening party unity and widening their popular support. Meanwhile, as the major opposition party they will take every opportunity to embarrass the govern-

ment, hoping that the Liberal-Democrats will collapse or blunder so that they will be able to take over. The chances are remote, however, that the Socialists will come to power during the period of this estimate.

A13. Unless Japan encounters a major economic crisis, the popular appeal of the Japan Communist Party will probably continue gradually to decline during the next few years. However, considerable indirect Communist influence on public opinion, organized labor, and on the Socialists will probably continue as a consequence of infiltration and propaganda activities. The JCP will probably increase its efforts to build up its covert apparatus, especially if the Kishi government's efforts to suppress Communist activities in labor and education are successful. The Communists may instigate strikes and demonstrations, and they will undoubtedly participate in those inspired by the Socialists. They will continue to pose a serious potential threat to internal security. However, they will probably not adopt a policy of mass violence, at least for the next two years or so, unless there is a major shift in the international Communist line.

II. ECONOMIC

A14. *Economic Situation.* Since the Korean War boom which greatly stimulated Japanese foreign trade and domestic investment, the Japanese economy has continued to demonstrate great vitality. With an average annual rate of increase in GNP of eight percent during the period from 1952 through 1957,³ the economy has far surpassed the production levels attained during the Korean War. During that five-year period industrial production doubled and production of machinery and chemicals increased by more than two and a half times. In 1957, shipbuilding, in gross tonnage, was nearly equal to the combined total of the UK and West Germany, which just a few years ago ranked first and second in shipbuilding. Japan's rapid expansion of heavy industrial production has been facilitated by significant growth in supporting industries, such as electric power, and marked

³ See Chart A.

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SECRET

12

CHART A
SELECTED INDEXES OF JAPANESE ECONOMIC GROWTH
(Calendar years, except for GNP)

	1952	1953	1954	1955	1956	1957	1962 (Plan)
GNP ¹ (FY 1956 prices)	100	108	112	124	135	145	189
Industrial Production	100	123	132	143	174	204	294
Real per capita national income	100	106	107	115	124	135	<i>na</i>
Exports (f.o.b.)	100	100	128	158	196	225	372
Imports (c.i.f.)	100	119	118	122	159	211	239
Base year (1952) values							
GNP (\$1M)	\$19,200						
Per capita national income	\$163						
Exports (\$1M)	\$1,273						
Imports (\$1M)	\$2,028						

¹ Fiscal year (1 April to 31 March)

advances have also been made in the manufacture of technologically advanced products.

A15. In part these successes are the result of favorable conditions outside of Japanese control, such as world-wide prosperity, unusually favorable weather conditions which contributed to bumper rice crops, and a continued high level of US spending in Japan. However, they are also the result of Japan's own efforts to expand foreign trade, and to maintain domestic monetary stability. The Japanese have sustained a very high rate of investment, mostly private; public and private investment (gross capital formation) has been averaging over 25 percent of GNP in the past few years. The Japanese have clearly demonstrated their ability to rebuild and maintain a dynamic and modern industrial economy, despite a meager resource base.

A16. The economy must continue to expand to prevent a general decline in the standard of living and to provide employment for Japan's growing population, which now numbers about 92 million. Although the rate of population increase has declined to about one percent per year,⁴ the high rates of increase which prevailed in the immediate postwar

⁴ Family planning was established as official national policy in 1951. Through birth control education and legalized abortion Japan's high rate of population increase has been reduced to one of the lowest in the Far East. Annual population increase was 850,000 in 1957 as compared with over 1.3 million in 1951.

period will result in unusually large annual increments to the labor force beginning about 1960. Japan's New Long-Range Economic Plan, devised at the end of 1957 by governmental and industrial leaders, suggests the rate of economic expansion which the Japanese feel must be maintained. The plan calls for an increase in total production of 5.5 percent per year, with industrial production increasing at an average annual rate of 8.2 percent and with chemical, metal, and machinery production increasing at more than 10 percent annually. Private and public investment must average 28.5 percent of GNP. The plan envisages increases of 5 percent in imports and 10.5 percent in exports annually, and anticipates that personal consumption will remain at about recent levels, i.e., somewhat less than 60 percent of GNP. Most of these goals do not appear to be unrealistic in the light of the rate of economic development over the past five years. Realization of these goals, however, will depend largely upon international economic factors outside Japan's control.

A17. Foreign trade is the life blood of the Japanese economy. Japan must import about 20 percent of its food and most of its raw materials. To pay for a rising level of imports, and to increase or even to sustain domestic consumption, Japan must continue to increase its exports, particularly of manufactured goods. Consequently, Japan's international orientation and its political and social stabil-

SECRET

SECRET

13

ity, as well as its economic position, are unusually sensitive to external economic developments.

A18. Japan's over-all balance of payments position continues to be vulnerable to international economic conditions beyond Japan's control.⁵ To stop the rapid depletion of its foreign exchange reserves the Japanese Government, in 1957, adopted a deflationary policy and tightened its system of import controls. The reserves, which had dwindled to \$445 million, rose to \$806 million by October 1958. However, the control measures reduced the rate of capital investment, and caused the accumulation of inventories of finished goods which necessitated production cutbacks in key industries, including textiles, steel, coal, and certain chemicals. This, coupled with a decline in world demand, created a mild recession in Japan. The effect of the slump will be cushioned somewhat by the bumper 1958 rice crop and probably by the recent loosening of credit controls. Although a number of signs of an upturn have recently appeared, conclusive evidence of a general recovery is still lacking.

A19. Japan's economic growth has continued highly dependent on trade with the US. In 1957 the US accounted for 21 percent of Japanese exports and 38 percent of its imports.⁶ Japan's imports from the US include coking coal, iron and steel scrap, industrial machinery and chemicals, POL, cotton, soybeans, and grain. Its exports to the US are primarily consumer goods, most of which compete with American products. Japan will almost certainly continue to have a large trade deficit with the US. Japan has had no serious dollar gap over the past several years because of special dollar receipts from yen sales to US troops, US military expenditures, and third country procurement programs under International Cooperation Administration auspices. The trend of these special dollar receipts, which averaged \$624 million during 1953-1956 but declined to \$549 million in 1957, will continue downward. To offset this decline the Japanese are attempting to develop

⁵ See Chart B.

⁶ See Chart C.

CHART B
BALANCE OF PAYMENTS, 1955-1957
(In millions of US dollars)

	Calendar Years		
	1955	1956	1957
Goods and services	205	-59	-585
Exports f.o.b.	2,006	2,482	2,857
Imports f.o.b.	-2,061	-2,613	-3,255
Transportation and insurance (net)	-157	-316	-518
Government (net) ¹	510	505	466
Others (net)	-94	-117	-135
Donations	20	28	-29
Private	31	33	36
Public	-11	-5	-65
Net total of all current transactions	225	-31	-614

¹ Mainly special dollar receipts.

Source: International Monetary Fund.

nondollar sources for various raw materials and manufactured products and to increase their exports to the US. However, in view of continuing resistance by US producers to imports from Japan and recurring threats of US trade restrictions, the Japanese are generally pessimistic regarding the possibilities of increased sales in the American market.

A20. Japan's trade with the Bloc increased rapidly from 1953 until the Chinese Communist boycott in May 1958.⁷ However, this trade was still of marginal economic importance, representing only two to four percent of Japan's exports and imports. Restrictions on Japanese trade with the Bloc resulting from Japan's participation in the COCOM-CHINCOM trade control system are no longer a serious barrier. The "China differential" was virtually eliminated in mid-1957 and COCOM controls were recently reduced.

A21. However, Japan's trade with Communist China, which accounted for about three-fourths of its trade with the Bloc, was halted suddenly in May 1958. At that time Communist China abrogated the fourth in a series of private trade agreements and an agreement to barter iron ore and coal for Japanese steel products. The pretext for Peiping's action was a disagreement concerning the right of Communist China to fly its flag over the offices of its proposed trade mission in Japan. Since

⁷ See Chart D.

SECRET

SECRET

14

CHART C
FOREIGN TRADE BY GEOGRAPHIC AREA, 1936 AND 1954-1957
(In Percent)

	Calendar Years				
	1936	1954	1955	1956	1957
Exports ¹ (total in billion dollars)	0.9	1.6	2.0	2.5	2.9
Asia	64	49	42	41	40
Europe	8	9	10	10	12
North and Central America	18	21	27	26	26
(United States)	(16)	(17)	(22)	(22)	(21)
South America	2	10	7	5	3
Africa	5	8	10	16	17
Australia and Oceania	3	3	4	2	2
Imports ² (total in billion dollars)	1.0	2.4	2.5	3.2	4.3
Asia	53	31	37	33	29
Europe	9	8	7	7	9
North and Central America	26	46	41	44	46
(United States)	(25)	(35)	(31)	(33)	(38)
South America	3	7	4	4	4
Africa	3	2	3	3	2
Australia and Oceania	6	6	7	9	10

(Figures may not add to totals because of rounding.)

¹ F. O. B.² C. I. F.

CHART D
JAPAN'S TRADE WITH THE SINO-SOVIET BLOC
(In millions of US dollars)

	Exports			Imports		
	1957		1958	1957		1958
	Jan.-June	July-Dec.	Jan.-June	Jan.-June	July-Dec.	Jan.-June
Communist China	28.9	31.6	49.0	44.4	36.0	47.6
USSR	.1	9.5	9.7	3.4	8.9	4.0
Others	2.3	4.2	2.9	9.6	8.0	3.9
Total	31.3	45.3	61.6	57.4	52.9	55.5
Percent of Japan's World Total	2.4%	2.9%	4.4%	2.4%	2.7%	3.6%

then Communist China has suspended all trade with Japan, denounced the Kishi government, refused to renew a fishing agreement and called on overseas Chinese to boycott Japanese goods. At first, Peiping apparently was attempting to influence Japan's national elections. Continuation of the embargo appears to be an effort to use economic pressures to embarrass the Kishi government and to induce Japan to grant Communist China political recognition and sever relations with the Republic of China. The present recession in Japan in some respects heightens the effects of the embargo.

A22. Before the boycott, China provided a significant share of Japan's imports of soybeans and salt, in exchange for chemical fertilizer, iron and steel products, and other manufactures. A number of Japanese manufacturers and trading companies have suffered losses as a result of the Chinese embargo and some of the smaller trading companies will probably face bankruptcy. However, despite the boycott and the fact that trade with China since the easing of the COCOM-CHINCOM trade controls has been of only marginal importance to the Japanese economy, a considerable number of Japanese, including some

SECRET

SECRET

15

businessmen, still cling to the belief that trade with mainland China can approach the high levels which prevailed in the 1930's. The Japanese Socialists and Communists draw an inflated picture of the China trade potential in their political and propaganda efforts. Domestic pressures on the Kishi government to seek agreement with the Chinese Communists for reopening and expanding trade are reviving and will probably increase.

A23. We continue to believe that there is little basis for any great expansion in Japan's trade with the Bloc. Communist China is making strenuous efforts to become self-sufficient in chemical fertilizer, which ranks with iron and steel products as one of Japan's major exports to China. Peiping depends primarily upon the Bloc for its machinery and equipment, and even in the event that China should turn increasingly to the Free World for such products, Japan would face stiff competition from Western European countries. Furthermore, China probably would not ship large quantities of its iron ore and coal to Japan. Even under favorable conditions Japan's total trade with Communist China will probably not exceed approximately \$300 million annually (about double the 1957 level) during the next five years.

A24. Japan's trade with the USSR increased sharply from a small base during 1957 and 1958, following the resumption of diplomatic relations and the conclusion of trade and payments agreements. However, the absolute level of total trade remains extremely small — \$22 million in 1957 and approximately \$35 million in 1958. The basis for Japan's trade with the USSR is limited and this trade is not likely to exceed \$75 million annually over the next five years. Trade with the Eastern European Satellites will probably remain insignificant.

A25. Japan has continued its efforts to expand trade with the underdeveloped areas, particularly in Asia. Japan has concluded reparation agreements with Burma, the Philippines, and Indonesia, which will help to pave the way for expanded economic relations with these countries. These agreements call for

payments of nearly a billion dollars over a period of 10 to 20 years, largely in the form of capital goods, and they contain provisions under which Japan agrees to facilitate loans, mostly private, totaling \$700 million for development purposes. In addition, Japan has granted yen credits of \$60 million to India.

A26. Japan's efforts to expand its trade with Southeast Asia are hampered by the limited purchasing power and export capabilities of the Southeast Asian countries. Consequently, the Japanese leaders are especially interested in hastening the process of economic development in Southeast Asia. To this end, and to strengthen and consolidate their own trade position in the area, the Japanese have sought to enlist US support for a Southeast Asia regional development scheme. They have also made cautious efforts to arouse the interest of Southeast Asian governments in their regional development plans.

A27. In seeking to expand their trade with Southeast Asia, the Japanese are deeply disturbed by the growing economic competition from Communist China. During the past two years there has been a large increase in Chinese exports to Southeast Asia of light industrial products and consumer goods, particularly textiles, at prices which the Japanese find difficult to meet. It appears that this trade offensive is motivated, at least in part, by political considerations. Moreover, Communist China has appealed to the overseas Chinese to boycott Japanese goods. This could be an effective way of weakening the Japanese economy because of the important role the overseas Chinese play in Southeast Asia as importers, middle man and merchants. However, reports indicate that the Overseas Chinese are relatively unresponsive to this appeal.

A28. *Economic Prospects.* Assuming a reasonably high level of world prosperity, the Japanese economy will almost certainly continue to grow. However, the rate of growth will probably be considerably slower than that of the past five years and will probably not reach the average 5.5 percent annual increase in GNP currently envisaged by the govern-

SECRET

SECRET

16

ment. The high rate of investment which has become a characteristic of Japanese economy will probably drop somewhat. Most investment will probably continue to be in such industries as iron and steel, chemicals, machinery, electric power, railways, and shipping. Underemployment will continue to be a serious problem and unemployment will probably increase during the next five years, perhaps to the point of becoming a major political issue.

A29. If the present recession in Japan deepens or is extended for another year or so, the Japanese Government will almost certainly be forced to adopt antirecession measures. This would encourage inflation and risk overstimulating demand and intensifying balance of payments problems. Prolongation or intensification of the recession would probably increase pressures on the government to reopen and expand trade with Communist China. Regardless of the depth of the recession, we believe that Japan will probably agree to the reopening of trade with the mainland, provided the Chinese Communists make suitable concessions.

A30. Japan will probably have some success in its efforts to expand exports. However, Japan's dollar receipts from exports and invisibles may not expand sufficiently to overcome its trade deficit with the US. Trade expansion in Southeast Asia will be slow at best, in view of the low purchasing power and the increased competition from Communist China and Western industrial nations in that area.

A31. Any one or a combination of various contingencies, both external and internal, could have a strong effect upon the Japanese economy. A series of unfavorable harvests, a major US recession, or the imposition of import restrictions by Japan's major trading partners, particularly the US, could individually or collectively have serious adverse repercussions on the Japanese economy. However, barring a major world economic upheaval, there will probably not be fundamental changes in Japan's economic pattern over the next five years.

III. MILITARY

A32. Japan's military establishment is designed to provide a modest defense capability. Domestic economic and political factors have played a more important part than military considerations in the development of Japanese military policies. As a result of their experiences in World War II the Japanese have a deep emotional revulsion against war, militarism, and, especially, nuclear weapons. They are also extremely reluctant to divert money and resources from their economic and social welfare programs to rearmament. Virtually all top political leaders agree that economic needs should have first priority and believe that Japan probably could neither defend itself against a major armed attack nor build sufficient military strength to deter aggression, even if Japan were to undertake an all-out rearmament effort. Consequently, they rely primarily upon their own diplomacy and the deterrent power of the US for security against external attack. Nevertheless, even the limited qualitative improvement in Japan's defense capabilities which the conservative government appears now to favor will require a corresponding increase in defense expenditures, which now account for only 11 percent of the national budget and about 2 percent of the GNP.⁸

A33. Constitutional provisions renouncing war and theoretically prohibiting the maintenance of armed forces inhibit Japan's defense effort, although they by no means constitute an insurmountable barrier to rearmament. The Japanese Government has encountered no serious difficulty in circumventing the constitution in order to create the present defense forces, and would not be prevented by constitutional provision from expanding them substantially. The real obstacle to rearmament is the mood of the Japanese people, who are not yet ready for a substantially increased defense effort. As the mood changes, popular objections to *de facto* contraventions of the constitution in the rearmament program will correspondingly decrease. If and when the conservatives obtain the required two-thirds

⁸ See Chart E.

SECRET

SECRET

17

CHART E

**JAPAN'S FINANCIAL CONTRIBUTIONS TO ITS OWN FORCES AND TO THE
UNITED STATES FORCES JAPAN (USJF)**
(In millions of US dollars)

Japanese Fiscal Years	1955	1956	1957	1958
Ground Forces	148	150	140	160
Naval Forces	53	64	61	71
Air Forces	33	55	71	91
Defense Agency	5	9	8	11
Subtotal	239	278	280	333
USJF (Yen contribution & facilities)	128	112	111	73
TOTAL	367	390	391	406

US ASSISTANCE UNDER THE MILITARY ASSISTANCE PROGRAM
(In millions of US dollars)

Japanese Fiscal Year	1950-1958	1959	1960 (Proposed)	TOTAL
Army	\$ 618.3	\$ 39.4	\$ 43.2	\$ 700.9
Navy	411.5	28.0	13.6	453.1
Air Force	207.0	49.8	33.5	290.3
	<u>\$1,236.8</u>	<u>\$117.2</u>	<u>\$ 90.3</u>	<u>\$1,444.3</u>

majority in both Houses — not likely in the next five years — they may carry out an overall revision of the Constitution, but it is unlikely that they will seek to amend the war-renouncing provisions alone. For at least the next several years we believe that the Japanese Government will proceed with its defense effort by developing new interpretations of the Constitution rather than by seeking formal amendment.

A34. The Japanese military leaders often disagree with the political leaders concerning the proper role, size, and equipment for the armed forces. However, the Japanese military establishment is firmly under the control of civilian authority and the ideas of the military leaders appear to have little influence upon the government's military policy. Japan's current defense plan was approved in 1957 by the cabinet and the National Defense Council, an advisory body of top civilian officials of the government. This plan provides for a ground force strength of 180,000 men by March 1960, a naval surface and subsurface force of 25,000 men and 124,000 tons in commission by 1962, a naval air arm of 8,000 men and 220 aircraft by 1962, and an air force of 48,000 men (in-

cluding 900 pilots) and about 1,300 aircraft (33 tactical squadrons) by March 1963. Any increases in the defense budget will probably place greater emphasis on air, naval, and defense missile development.

A35. At present, the Ground Self-Defense Force numbers about 165,000 men organized into 2 corps headquarters, 6 infantry divisions, 4 combined brigades, and 1 airborne brigade of battalion size. The units are equipped with conventional World War II infantry division arms, plus 8 inch howitzers and recoilless rifles up to 106 mm. The capabilities of the GSDF have shown steady improvement. Currently rated operationally effective at battalion level, it is expected that they will become effective at the regimental level during the current Japanese fiscal year. Although now capable of fulfilling its secondary mission to assist in the maintenance of the internal security of Japan, the GSDF probably will be unable to fulfill its primary mission of providing for the ground defense of Japan over the next five years. Operational effectiveness is hindered by the lack of combined arms training, the lack of artillery and AAA firing ranges, and lack of training in amphibious

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operations or those involving air support of ground units. The ground forces are capable of conducting limited defensive operations within Japan.

A36. The Maritime Self-Defense Force has a personnel strength of 18,300 men, with an additional 5,500 in the naval air arm. The combatant ship strength consists of 8 destroyers and 6 escort vessels, most of which are new Japanese construction, 1 submarine, 18 patrol escorts, 32 landing support ships (LSSL), 8 submarine chasers, 9 torpedo boats, 44 mincraft, and 42 amphibious craft. The naval air arm has 170 piston type aircraft. The naval forces are currently capable of limited ASW, mine warfare, and escort operations within coastal waters.

A37. The Air Self-Defense Force has as yet no significant tactical or defense capability, despite its personnel strength of about 20,000, including 500 pilots, and its current aircraft strength of more than 800, including about 450 jets. Only two operational fighter squadrons (F-86) have as yet been activated, and even these are still not combat ready. This lack of progress and development has to date been caused by inadequate budgetary support, a shortage of trained maintenance personnel, internal logistic problems, and a lack of experience at all levels in the management of a modern air force. JASDF leadership is becoming increasingly aware of these shortcomings and, with US support, is attempting to overcome them. Nevertheless, the JASDF will be unable to meet its present goals (33 tactical squadrons by 1963) or to become an effective force so long as budgetary support remains at present levels.

A38. In addition to the defense forces, Japan has a National Police Agency of approximately 140,000 well trained and equipped men. The police are capable of controlling mob action, and in cooperation with the defense forces, could probably put down any serious internal uprising.

A39. Japan has a high scientific and industrial potential for the development and pro-

duction of conventional and modern weapons. Japan's current military research and development program, although broad in scope, is limited by lack of funds and falls far short of the country's scientific and industrial capability. The program includes the prototype production of Japanese designed tanks, armored vehicles, signal and engineering equipment, and missiles. Thus far, Japan is depending upon missiles procured from foreign sources to advance its own research. The Japanese have sought assistance from the US for mutual weapons development, but progress has been held up pending Japanese adoption of appropriate security legislation. Japan's industrial leaders apparently prefer to concentrate on nonmilitary production. At present, Japan does not have the capability of producing the most advanced types of complex, specialized military end-items. However, the Japanese are very proficient at aircraft assembly and are manufacturing some components. They have a high potential capability for aircraft manufacture.

A40. *Prospects.* Japan will probably continue to rely primarily on US deterrent strength for its external security. We believe that Japan's own defense expenditures over the next five years will probably remain well below its economic capacity and that there will continue to be resistance to diverting financial and material resources to rearmament. However, we believe that Japan's interest in increasing and modernizing its military forces will have increased greatly by the end of the period of this estimate, and that its defense effort will be considerably greater than envisaged in its present plans. There will probably be increased emphasis on the development of efficient and technically advanced weapons for defense against air and naval attack and, within the period of this estimate, it is probable that defensive, nonnuclear missiles of its own manufacture, if not design, will be included in its military establishment. Nevertheless, the defense forces will still have only a limited capability against major aggression.

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