

DOS Review Completed.

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September 20, 1971

MEMORANDUM FOR: DR. KISSINGER

FROM: JOHN H. HOLDRIDGE

SUBJECT: Political Impact on Basic US-Japan Relationship  
of Imposing Quotas on Japanese Textiles

ON-FILE NSC RELEASE INSTRUCTIONS  
APPLY

We understand that the President is considering imposing quotas on Japanese textile imports October 15 if a voluntary agreement cannot be worked out by that time. This would possibly be done by invoking the provisions of the Trading with the Enemy Act. We believe that in weighing this alternative he should be fully cognizant of the likely political consequences for the Sato Government and for our relations with Japan.

As regards the probable impact on the Sato Government, it should first be recalled that the position of Prime Minister Sato's lame duck government (he has announced that he will not continue after his current term as Liberal Democratic Party (LDP) President ends in November 1972) has been substantially, though not yet critically, weakened by the effect of our China and economic initiatives, coming on top of earlier domestic political setbacks this year. Sato's objective now appears to be to remain only until he sees the Okinawan Reversion Treaty through the Diet in the session getting underway October 15, and in installing Foreign Minister Fukuda as his successor. Given the break with him by former Foreign Minister Ohira (and head of the LDP's second largest faction) over China together with the quickened scramble of other LDP aspirants to the prime ministership to organize their challenges for leadership of the Party, his chances for being able to hang on that long are probably somewhat better than even. If, however, he comes out on the losing side of the UN General Assembly's consideration of Chirep, or, [redacted] Japan meets with "... unsympathetic and stern economic pressure from abroad--especially from the U. S.," then Sato could well go under.

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As regards the Sato Government's position, the importance of an imposition of textile quotas on Japan would lie in the cumulative impact such a move would have on Sato's position as manager of the Japanese end of the U. S. - Japan relationship. His capability to manage this relationship, which he like his predecessors for the past two decades have held to be the pivot of Japanese foreign policy, has come under serious attack as a result of the lack of our prior notification on the President's July 15 China announcement, and, to a lesser extent, as a consequence of our August 15 economic initiative.

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Given what we presume will be the application of the textile quotas to Japan alone (in contrast to the multilateral application of the August 15 program), an October 15 announcement could call down on Sato's head a new wave of attacks on his stewardship of the U. S. -Japan alliance. If this did not result in an immediate and fatal challenge to his leadership from within the LDP, it would at least probably further and completely paralyze his policy leadership.

If Sato were ousted under these circumstances, the succession chances of Chira, inclined toward greater independence of the U. S. in foreign policy, would be substantially improved vis-a-vis Fukuda. If Sato remained, he would probably be able to maneuver the Okinawan Reversion Treaty through the Diet, given the widely shared desire in Japan to consummate the Islands' reversion. Sato's ability to cooperate further with us on Chirep would probably be critically impaired, and he could well be left with insufficient influence to steer Fukuda's succession through the Party.

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