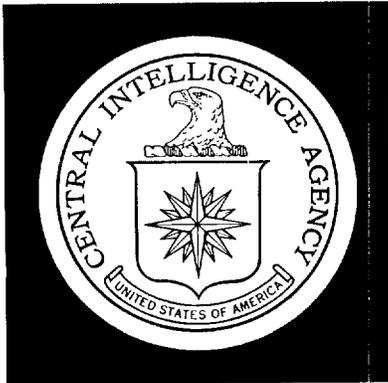


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# *Central Intelligence Bulletin*

State Dept. review completed

**Top Secret**

c 196

2 October 1971



**Page Denied**

2 October 1971

# *Central Intelligence Bulletin*

## CONTENTS

JAPAN: Business leaders increasingly critical of Sato. (Page 1)

25X1

25X1

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JAPAN: Influential business leaders have become increasingly critical of Sato's handling of economic and political problems.

In a conversation with US Embassy officials, four top businessmen indicated it was necessary to improve relations with the US and to remedy the sluggish state of the Japanese economy, even if this required Sato's early resignation and concessions on the part of Japan. Financial and industrial interests have recently begun pressing the prime minister to effect an early revaluation of the yen at a fixed parity rate to ameliorate their current difficulties in concluding export contracts.

A resolution presented to Sato by the Japan Committee for Economic Development last month called for Japanese concessions to the US and government pressure to have the US surcharge abolished. In addition, it recommended a restructuring of Japanese domestic investment, a change of emphasis from economic expansion to the improvement of the quality of life, and increased aid to developing nations. The resolution also called for "strong leadership" to implement economic policy, including the formation of a special group, similar to the US Council of Economic Advisors, to assist the prime minister.

The erosion of Sato's support in the industrial community further increases the chances that he may be forced to retire within the next several months.

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2 Oct 71

Central Intelligence Bulletin

1

**Page Denied**

Next 3 Page(s) In Document Denied

25X11

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