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STRATEGIC IMPORTANCE OF JAPAN

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STRATEGIC IMPORTANCE OF JAPAN

SUMMARY

Japan's defeat in World War II has created a vacuum of power in the Far East where the extension of Soviet influence and US strategic interests have been brought into direct conflict. From the point of view of either the US or the USSR, control of Japan is important to the control of the Far Eastern area, both because of the island's geographical location and because Japan, while militarily defenseless at present, possesses a large reservoir of trained manpower, which, if mobilized and provided logistic support, could become a potent factor in determining the outcome of any future armed conflict embracing the Far East.

The US as principal power in occupation presently controls Japan, the stability of whose new democratic government cannot be determined completely until the withdrawal of US occupation troops. Given a viable economy, however, present Japanese stability and pro-US orientation should continue so long as the Occupation remains.

On the other hand, there are certain possible developments which would greatly weaken the US position in Japan and throughout the Far East, and to this extent strengthen that of the USSR. Principal among these are:

1. **DISRUPTION OF THE PRESENT STATUS QUO IN NORTHEAST ASIA.**

Extension of Soviet control or domination over North China, Manchuria, and the whole of Korea would result in an incalculable loss of US prestige throughout the Far East. Such a condition might greatly facilitate further Soviet extension into Japan itself, which in turn would expedite Communist expansion in Asia against diminishing resistance.

2. **SERIOUS DETERIORATION OF JAPAN'S ECONOMIC SYSTEM.**

The key factor in the postwar development of Japan is economic rehabilitation. As in the past, Japan, for normal economic functioning on an industrial basis, must have access to the Northeast Asiatic areas—notably North China, Manchuria, and Korea—now under direct, indirect, or potential control of the USSR. It is believed that the Kremlin, without serious effect on its own position in Northeast Asia, could refuse to allow Japan economic access to these areas if political or strategic considerations so dictated.

The short-term loss of Northeast Asia trade, though it would make economic recovery of Japan difficult, would not render it impossible. It could be compensated for in part by trade with Southeast Asia and the Philippine Islands where, however, there would be, in addition to US and European competition, the possible development and expansion of indigenous industries.

Note: The information in this report is as of 21 May 1948.

The intelligence organizations of the Departments of State, Army, and the Navy have concurred in this report; the Directorate of Intelligence, Air Intelligence Division, Department of the Air Force had no comment.

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Over the long term, exclusion of Japan from Northeast Asia trade would so drastically distort Japan's natural trade pattern that economic stability could be maintained only if the US were prepared to underwrite substantial trade deficits on a continuing basis. Should such aid be withheld or unavailable, the ensuing economic distress might easily force Japan to align itself with the USSR as the only means of returning to economic normality.

So long as this Japanese rehabilitation is under US control, it can be assumed that Japan of itself, with its basic economic weaknesses, cannot in the foreseeable future become a threat to US security. Only as an ally of the USSR, or as part of a large anti-US coalition could Japan become once again dangerous.

So long as a viable economy for Japan can be constructed and maintained, the difficulties facing the USSR in attempting to force Japan's acquiescence would be considerable and could be largely offset through the adoption by the US of available counter-measures.

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STRATEGIC IMPORTANCE OF JAPAN

Japan's defeat in World War II and subsequent occupation has freed the US, its possessions, and potential allies from the threat of Japanese aggression and has given the US the opportunity to exert a major influence on Japan for the foreseeable future. At the same time, Japan's defeat has created a vacuum of power in the Far East which has only partially been filled by the US and the USSR. Moreover, the extension of Soviet imperialism in Northeastern Asia has brought the interests of the USSR into direct conflict with those of the US in that area. The remainder of the Far East is at the same time in a state of dynamic flux, while those forces working to restore as much as possible of the order existing in the Far East prior to Japanese aggression are in retreat under the attack of indigenous nationalist movements and Communist-dominated forces.

Japan's entire political, economic, and social structure has been subject to drastic reforms, which, however, have been neither formalized by a peace treaty nor firmly adopted by the Japanese. Nevertheless, as a consequence of the instability in the Far East, Japan, despite its defeat, is in a relatively stronger position politically and economically than are its immediate neighbors. Fear on the part of other Asiatic countries of resurgent Japanese military penetration may, however, hamper Japanese recovery while the degree of Soviet control over Manchuria, China, and Korea will necessarily influence Japan's stability and future alignment.

1. BASIC CONSIDERATIONS.

The geographic location of Japan renders it of strategic importance to all Powers whose interests in Asia are large, particularly at the present time, to the United States and to the USSR. Any Power controlling Japan holds a vital position across the trade routes of the North Pacific and is in a position to dominate the exits and entrances of the Sea of Japan and the East China and Yellow Seas, and control the ports of Asia from Shanghai north to include Vladivostok. From the Kremlin's point of view, US occupation of Japan or even Japan's political and economic orientation toward non-Soviet Powers, not only threatens the eastern territory of the USSR but also denies that country a strategic outpost for future defensive or aggressive action. Conversely, Japan under Soviet control would serve to complete a chain of offshore defenses the northern segment of which consists of Kamchatka and the Kurile Islands. If used by the USSR as a base for aggressive action against the US, Japan's geographic position could threaten US Pacific bases from Alaska to the Philippine Islands and might serve as a Soviet stepping stone to the southern regions.

Militarily, Japan is now defenseless and must rely for protection from aggression upon the armed might of some other nation or nations having sufficient strength and willingness to guarantee Japanese sovereignty. Japan's manpower, however, if mobilized and assured of logistic support could contain hostile forces of large size on the Asiatic Continent. Conversely, Japanese manpower, mobilized and allied with

the USSR, would, in case of war, force the deployment of larger US forces in Alaska and on the West Coast of the US than would otherwise be necessary. The utilization of Japanese armies in offensive action, either in Asia or in North America, would involve the conduct of a major war effort. This would be particularly true if Japanese forces were to be directed against the USSR in Asia.

2. ECONOMIC FACTORS.

The key factor in the postwar development of Japan and the relationship of that development to US security is Japanese economic rehabilitation. It is noteworthy that the Potsdam Declaration, while it provides for complete disarmament, also provides specifically that Japan should be permitted to retain such industry as is necessary to sustain its economy. The Far Eastern Commission has determined, as a matter of policy, that the peaceful needs of the Japanese people should be defined as being substantially the standard of living prevailing in Japan during the period 1930-1934, and that in estimating the nature and size of the industrial structure within that level, account should be taken of such factors as technological developments, balance of payments and employment. Factors which will influence the implementation of this decision include: (a) the question of reparations; (b) the dependence of Japanese economic rehabilitation upon surrounding areas (China, Manchuria, Korea, Formosa, and Sakhalin) for markets and raw materials; (c) the extent to which these markets and raw materials can be made available to Japan; and (d) the availability of other markets and sources of raw materials if presently and potentially Soviet-dominated areas should be closed to Japanese trade.

The problem of reparations has not yet been solved and may have to await the results of a peace conference for final decision. Present indications are that industrial facilities to be made available for removal as reparations may be considerably less than originally anticipated. However, until the question is settled definitely, the process of rehabilitation may be slowed down.

Japan's pre-surrender economy was integrated with and dependent upon those of China, Manchuria, Korea, Formosa, and Sakhalin. However, in the decade prior to surrender, Japanese economy was progressively being distorted to give increasing support to a large military establishment which was on a war, or semi-war, footing. Although implementation of the Potsdam Declaration and the terms of surrender have resulted in the complete liquidation of the Japanese military establishment, thus rendering the Japanese economy free from this burden, it is nevertheless evident that Japan still must depend heavily on trade with Northeast Asia if a self-supporting economy is to be sustained without continuing US support. Geographical proximity and the character of its economic development make Northeast Asia complementary to the economy of Japan. In the prewar period, North China, Korea, Formosa, Manchuria, and Sakhalin supplied approximately 35 percent of Japan's imports and took about 40 percent of Japan's exports. The principal commodities obtained by Japan were foodstuffs and raw materials such as coal, iron ore, lumber and pulp, and salt, which Japan exchanged for exports of machinery, metal manufactures, and textiles. In spite of the

separation of this area from Japanese domination and aggressive development, trade with this area, if the USSR does not itself deny or cause others to deny such trade to Japan, might be expected to be resumed eventually at levels approaching those of the prewar period.

Since the surrender, Japanese trade with these areas, with the exception of US-fostered trade with South Korea, has been negligible. The prolongation of present political conditions in North China, North Korea, Manchuria, and Sakhalin, moreover, will continue to impede the resumption of such trade. Complete Soviet control or domination of these areas would give the Kremlin the capability of prohibiting trade between Northeast Asia and Japan altogether, should such action, from the Soviet point of view, appear advantageous.

The various areas of Northeast Asia are themselves mutually supporting. For example, Manchuria, a food surplus area, also has large quantities of iron ore which in conjunction with North China's coal and North Korea's ferro-alloys could constitute the basis for an integrated heavy industry. These areas, together with the Far Eastern USSR, could provide the largest industrial potential of any area in the Far East. It is believed, therefore, that should political or strategic considerations so dictate, the USSR could, without serious effect on its own position in Northeast Asia, refuse to allow Japan economic access to those areas under Soviet control.

The loss of access to the markets and raw materials of North China, Korea, Manchuria, and Sakhalin to Japan could be compensated for, in part, by trade with Southeast Asia and the Philippine Islands. However, if all trade with Northeast Asia were to be cut off for an extended period, Japan would have to obtain from the United States and Canada many essential raw materials—e.g. lumber, wood pulp, and coking coal—that otherwise would have come from Asia. Japan would also have to compensate for the loss of this area as a food supplier by obtaining from Southern Asia and the United States considerably more food than would otherwise be necessary. Costs of such imports would be increased substantially by shipping over long hauls. Moreover, the loss of Northeast Asiatic markets for Japanese exports would have to be offset by continued austere living standards and by expansion of exports either to distant Western markets, where Japan faces strong competition, or to Southern Asiatic markets, where, in addition to US and European competition, the development or expansion of indigenous industries may limit the market for Japanese goods still further.

It can be concluded that a short-term loss of trade with North China, Manchuria, Korea, and Sakhalin would make the economic recovery of Japan difficult, but not impossible. Long-term exclusion from trade with these areas would, however, distort Japan's natural pattern of trade so drastically that economic stability probably could be maintained in Japan only if the US were prepared to underwrite substantial trade deficits on a continuing basis. Should such outside aid be withheld and Japan be denied the trade of Northeast Asia, the ensuing economic distress, with its attendant political instability, might force Japan to align itself with the USSR. Moreover, it is by no means impossible that Japan may tend to trade with this area, either in the normal course of exploiting the trade and commercial advantages arising from the proximity

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of the Soviet Far East, or as a matter of government policy calculated to gain for itself even larger benefits from the US.

3. POLITICAL FACTORS.

Since its emergence as a modern nation, Japan has made little use of its parliamentary institutions to develop democratic methods and techniques of government. After 1930, the Japanese accepted without serious question the despotic politico-military rule imposed on them in the name of the Emperor. Perhaps not an endorsement of military policy by the Japanese people, it was a demonstration of the fact that any Japanese government after 1930, regardless of political flavor, would have to be solidly set on a military foundation. Since the surrender, Japanese armed forces have ceased to exist, and Japanese democratic government has been established. By the expedient of party coalition, a fair degree of government efficiency has been maintained. It must not be overlooked, however, that the existence of SCAP and the occupation forces provide support for the stability of the present Japanese government. Should such support be removed, it is questionable that the present degree of political maturity and acceptance of democratic ideals on the part of the Japanese would result in a stable government in Japan. It will be difficult, therefore, to determine the degree to which Japan has been "democratized", or the permanence of its post-surrender political structure, until the occupation forces have been withdrawn and a Japanese Government has had an opportunity to solve its own problems without military guidance and support.

Assuming the continuance of the political *status quo* in Northeast Asia (an existing Chinese Nationalist Government, an independent South Korea, and Japan in US hands) there seems, in the predictable future, to be no likelihood of the Japanese government's being overthrown by revolution or violence from domestic sources. This condition would probably be maintained even after the withdrawal of the Occupation forces.

On the other hand, the extension of Soviet control or domination over North China and Manchuria, and the loss of all Korea to Soviet domination would result in an incalculable loss of US prestige throughout the Far East. Domination of Japan by the USSR, following such an extension of control over North China, Manchuria, and Korea, would cause political repercussions threatening US security throughout the whole of Asia. The remaining Asiatic Powers would be forced to conclude that the US was neither able nor willing to meet commitments, actual or implied, to protect free and independent peoples from Soviet aggression. Thus, Communist expansion throughout the Orient would be expedited against diminishing resistance.

In Japan itself, Soviet domination would be opposed initially by traditional Japanese anti-Communist sentiment and antipathy to the USSR. It is believed, however, that this opposition would prove no serious obstacle to the implementation of Soviet policies once the facade of a "legal government" had been established. Traditional Japanese respect for authority, plus the strong support afforded the "legal government" by the presence of Soviet armed forces in nearby areas, would be sufficient to insure relatively complete Japanese "cooperation" with the USSR.

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In the final analysis the political stability and the cooperation of Japan with US depends largely on the attainment of a viable economy. Under present conditions, if such an economy can be attained, it is quite probable that Japan will develop into a free, independent nation capable of exerting a stabilizing influence in Asia. Furthermore, even though the Kremlin should be able to exert complete domination over Northeast Asia, Japan could still resist Soviet domination provided it were assured of economic security as well as political and military support by the US. Conversely, under conditions of continuing acute economic distress and with Soviet control extending over all of Northeast Asia, Japanese political stability could probably be maintained only by strong action on the part of the occupation forces, and should those forces be withdrawn at such a critical period, the probability that Japan would eventually succumb to Communist domination would become almost a certainty.

4. INFLUENCE OF FUTURE DEVELOPMENTS.

Because of the factors set forth above, the relationship which Japan will bear to the security of the US can be determined only in the light of future developments and will be based generally on one of two economic conditions: Japan will either continue in its present state of economic maladjustment, eventually degenerating to a state of economic collapse, or attain a viable economy. Continuing economic maladjustment would presuppose insufficient outside economic aid to Japan or none at all. In this case the ensuing economic distress would eventually demand that occupation forces take strong measures to maintain political stability. Furthermore, should occupation forces be withdrawn from Japan, strong pressure could be exerted upon Japan to force its orientation to the Soviet Union.

It remains, then, to determine whether or not Japan could constitute a threat to US security if given a viable economy. For purposes of discussion it may be assumed that the following conditions, based on the terms of the Potsdam Declaration and decisions made in the Far Eastern Commission, would be implemented:

a. That Japan will be permitted to retain sufficient industry to sustain its economy (Note: It may be necessary to accomplish this through the agency of continued US subsidization accompanied by any necessary reorientation of Japan's trade pattern to areas other than Northeast Asia);

b. That Japan will not be permitted to maintain a military establishment (Note: It follows that Japan will be dependent on either the US or on a multilateral trade pattern for the products of those industries which are capable of direct military utilization).

It is implicit in the assumptions, as given, that Japan would be incapable, by itself, of constituting a threat to US security. It could serve as a threat only as part of a coalition of powers opposing the US, most probably as an ally of the USSR. The means available to the USSR for effecting the integration of Japan into the Soviet orbit may be classified into three general headings: ideological penetration, politico-military coercion, and economic penetration.

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With a viable Japanese economy, it is highly improbable that Soviet efforts at ideological penetration would have any substantial prospect of success. Traditional Japanese Russophobia, together with continued economic aid from the US, would probably serve as insuperable obstacles to the achievement of Soviet objectives by ideological techniques alone.

On the other hand, the degree of success attained by the Soviets in attempts to coerce Japan, by means of political and military pressures, into joining an anti-US coalition would depend on the existence of effective guarantees against Soviet aggression. Without such guarantees, Soviet politico-military pressure might prove irresistible. Conversely, the efficacy of such possible Soviet tactics could be effectively countered and minimized by the existence of US military guarantees of Japanese security and by continuing US demonstrations of its willingness actively to enforce such guarantees. In any event, Soviet politico-military maneuvers calculated to alter Japan's strategic alignment would have to be supplemented by efforts in other fields in order to overcome Japanese antipathy to the USSR and to insure Japanese economic survival in the face of a possible rupture of Japan's economic relationship with the US and other areas outside the Soviet sphere.

Soviet efforts to undermine the assumed economic relationship between Japan and the US for the purpose of laying the economic basis for eventual political capture of Japan would be subject to serious limitations. The quantity of agricultural and industrial raw materials available for export to Japan from Northeast Asia would be limited by the requirements of the European USSR and by current Soviet plans for extensive industrialization of the Soviet Far East. Assuming that Soviet plans for the integration of North China, Manchuria, and Korea into the Soviet Far Eastern industrial complex could include provisions for making available to Japan those goods and markets essential for forcing Japan into economic subordination through a bilateral trade relationship, the USSR would still have to contend with possible US countermeasures in this type of economic warfare.

From the foregoing it can be concluded that in the foreseeable future Japan is incapable, by itself, of constituting a threat to US security but could offer a serious threat as an ally of the USSR in an anti-US coalition. It is also evident that Soviet efforts to secure Japan would have to be carried out concurrently in the ideological, politico-military, and economic spheres in order to have any prospect of success. Furthermore, the difficulties facing the USSR in the conduct of an offensive designed to force Japan's orientation to the Soviet orbit are considerable, and these difficulties could be largely offset by US adoption of available countermeasures.

The USSR, aware of these difficulties, must realize that its final objective, eventual Soviet domination of Japan, is presently unobtainable. The Kremlin, however, can be expected to use all available means to neutralize Japan as a potential threat and at the same time to prepare for the eventual absorption of Japan.

In order to accomplish this objective, every effort will be made to discredit the occupation forces and to force their withdrawal. Propaganda attacks will be increased. The specter of the resurgence of Japanese military and economic aggression will be

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emphasized to Japan's Asiatic neighbors, while US "colonization" of Japan will be vigorously pointed out to the Japanese.

Continued Soviet obstruction in the Allied Council and in the Far Eastern Commission to efforts to effect Japanese economic rehabilitation can be expected. By means of continued demands for high reparations and refusal to participate in a peace conference except on Soviet terms, the Kremlin will hope to cause maximum confusion and to impede Japanese recovery. In addition, all possible support will be given to the Japanese Communists in their efforts to dominate the trade unions for the purpose of instigating strikes and work stoppages. Support to, and exploitation of, minority groups will be increased.

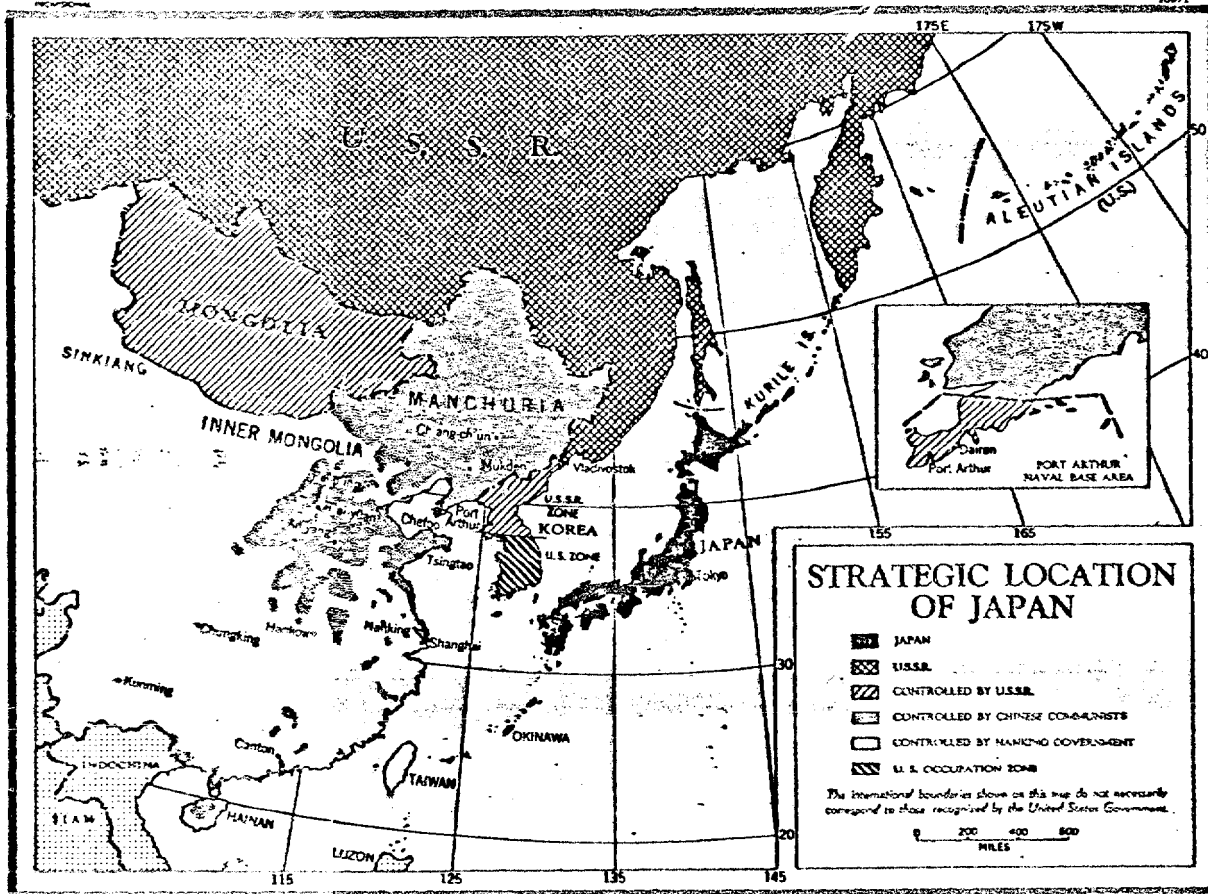
Attempts at ideological penetration will be continued through the repatriation of "indoctrinated" prisoners of war. The Kremlin will undoubtedly exert maximum psychological pressure on the Japanese by strengthening and consolidating its military position in Northeast Asia, and by using as "hostages" those Japanese still remaining in Soviet hands.

The USSR can be expected to exploit, as a political weapon, its control over Northeast Asiatic markets and sources of raw materials. It will promise Japan economic access to these areas as a means of extorting concessions which will permit Soviet ideological penetration and pave the way at some future date for Japanese political concessions leading to Japanese orientation toward the USSR.

The Japanese, however, as long as they are assured by the US of adequate economic support and of security from aggression, will continue to progress toward the achievement of political stability and economic rehabilitation, and will remain anti-Soviet. Under these conditions Japan will eventually be able to contribute to the peaceful stabilization of Asia. Should such support be withdrawn before Japan has attained recovery, the gradual drift of Japan into the Soviet orbit would be a foregone conclusion. Japan, aware of the US-Soviet conflict, can be expected to use its strategic position between the contestants as a bargaining point to obtain maximum concessions from either, or both.

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