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NATIONAL INTELLIGENCE ESTIMATE

THE PROBABLE FUTURE ORIENTATION OF JAPAN

NIE-52

The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated with the Central Intelligence Agency in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred in this estimate on 22 May 1952.

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THE PROBABLE FUTURE ORIENTATION OF JAPAN

THE PROBLEM

To analyze the various factors — both internal and external — which are likely to determine Japan's future foreign policy; and to assess in the light of these factors Japan's probable future orientation in the East-West conflict.

CONCLUSIONS

1. We believe that Japan will seek to achieve its national objectives by a pro-Western orientation, at least during the next two or three years.

2. We believe that the essential conservatism of Japanese society, the strongly entrenched position of conservative political parties and groups, and the weaknesses of major leftist forces, make the continuation of conservative control of Japan almost certain, at least through 1954. If, however, the Liberal Party should lose its present majority position, divisions within the conservatives might weaken the Japanese Government.

3. We believe that the basic national objectives of Japan will be to rebuild its national strength and to enhance its position in the Far East. Because of Japan's economic and military deficiencies, and because Japanese conservatives share a broad identity of interest with the US in containing Communist expansion, progress toward the realization of these objectives will almost certainly require close cooperation with the US, at least during the next two or three years. Even during this period, however, Japan is likely to seek to develop at least economic relations with Communist China and the USSR.

4. The degree of Japanese cooperation with the US, in both the short and long term, will depend largely on the extent to which the Western alignment not only meets Japan's needs for security and foreign trade opportunities but also satisfies its expectations for economic and military assistance and for treatment as a sovereign equal. Adverse developments in any of these respects would increase existing pressures for independent courses of action in Asia and make Japan more vulnerable to Communist tactics of conciliation and threat.

5. As the most probable long-term prospect, we believe that as Japan grows in strength and bargaining power, it will seek to increase its freedom of action in Asia within the framework of a generally pro-Western orientation. Japan will probably attempt to readjust its relations with the US, seeking to eliminate the basing of US troops in Japan and seeking to attain increased influence and leadership in Asian affairs of joint US-Japanese concern. Japan will inevitably attempt to expand economic and political rela-

tions with Communist China, and probably with the USSR, to the extent possible without jeopardizing its domestic stability and will seek at the same time to avoid a basic alteration in its pro-Western foreign policy.

6. If, however, Japan is unable to solve its economic problems, it will be particularly vulnerable to economic and diplomatic pressures from the Soviet Bloc and will be tempted to seize opportunities for closer economic and political relations with the Bloc. Even in this situation a conservative government would seek to avoid courses of action that would be likely to lead to Japan's absorption into the Bloc. Serious internal pressure in Japan would be more likely to result, at least initially, in a trend toward traditional authoritarian measures rather than in the rise of a pro-Communist regime.

DISCUSSION

FACTORS AFFECTING JAPAN'S FOREIGN POLICIES [1]

Geographic Position

7. Japan's position as a small island country close to the Asian mainland has made Japan susceptible to political and cultural influences from the mainland. In modern times the encroachment of strong maritime powers in the western Pacific and the activities of strong powers on the northeast Asian mainland increased the concern of the Japanese over their national security. The postwar increase in the power of Communist China and the USSR has exposed Japan to Communist influence and pressures, and concern for Japan's security has received new emphasis. On the other hand, the Japanese have been and are conscious of the strategic importance of their geographical position astride the approaches to Korea, North China, and Siberia.

Economic Factors

8. Japan's foreign policies in the post-treaty period will be strongly influenced by economic pressures. As in the past, there will be a critical need for imported food and raw materials to support its expanding population and industrial production and to provide for the development and support of armed forces.

9. Japan's 1940 population of 73 million increased to 85 million by 1951 and, according to present estimates, will reach 90 million by 1955 and 111 million by 1975. Domestic food production, which cannot be increased significantly, provides only 85 percent of current consumption; by 1955, as a result of the population growth, Japan will produce less than 80 percent of its food at present per capita consumption levels. If present strong social and political pressures for increased levels of per capita food consumption are to be satisfied, even larger food imports will be required. (See Appendix B.)

10. In 1951 Japanese industry in most fields surpassed 1932–1936 levels of production by an average of 35 percent. Japan's present production level is estimated to be about 60 percent of capacity. (See Appendix C.) The achievement of the levels of production projected for 1953 — expanding production to about 70–75 percent of existing plant capacity — would make possible the attainment of a standard of living at least comparable to the prewar period (present living standards are estimated to be at 80–85 percent of prewar levels) while supporting moderate rearmament and capital investment programs. The Japanese also have the technological and financial capacity to improve and add to their existing industrial plant. Manpower would be adequate to meet the requirements of an expanded industrial activity, and further ration-

[1] The historical background for this section is presented in Appendix A.

alization in the use of industrial labor would increase both the pool of available manpower and the efficiency of industry. However, Japan's industrial production depends on substantial imports of most basic raw materials, particularly coking coal, iron ore, raw cotton, and crude petroleum. (See Appendix D.)

11. The restoration of Japanese levels of consumption to prewar levels by 1953 and the support of moderate rearmament and capital investment programs would require a level of imports in the order of those presented below:

Selected Japanese Imports

	Net Imports	Projected Import Requirements
	(Thousands of Metric Tons)	
	1951 [2]	1953
Rice (brown rice equivalent)	896	1,043
Wheat	1,677	2,450
Sugar	596	640
Raw Cotton	399	527
Coal	1,778	3,125
Iron Ore	3,500	5,310
Crude Petroleum (1,000 barrels)	18,000	26,000

[2] Partially estimated.

12. Japan's ability to obtain imports of this order will depend in part on production levels in source areas and in part on the extent to which political considerations permit Japan access to these sources. The most important factor, however, will be the extent to which Japan is able to earn sufficient foreign exchange from exports and other sources to pay for required imports.

13. Over the next two years at least, with large US procurement and military expenditures in Japan, Japan's prospects are favorable for obtaining the necessary foreign exchange. Japan's commercial exports have approximately doubled in value each year since 1946; current trends indicate that these exports will continue to expand, though at a reduced rate. (See Appendix E.) The rapid rebuilding of the Japanese overseas merchant marine will have a substantial favorable effect on the foreign payments balance. It is estimated that in 1953 Japanese commercial exports and net earnings from shipping will bring in about 2 billion US dollars worth of foreign exchange out of a total of 2.6 billion needed to pay for imports. Expenditures in Japan by Allied Forces and US and UN procurement agencies, plus relatively small receipts from tourists and foreign business investors, will contribute nearly 0.9 billion, largely in US dollars. This will cover the estimated deficit on trade and shipping account and leave Japan with a net favorable balance of about 0.3 billion, a small part of which would represent a net increase in Japanese holdings of US dollars. (See Appendix F.)

14. Japan's rapid postwar economic recovery and satisfactory short-run economic outlook, however, are based on abnormally high dollar earnings incident to the occupation, the Korean war, and present US security arrangements. When the level of such earnings falls, Japan's continued economic viability will depend on finding a market for still larger exports and on getting more imports from non-dollar sources. Considerable progress in this direction has been made. Only 33 percent of Japan's imports came from the US in 1951 as compared with 98 percent in 1946. Non-Communist Asia provided 31 percent of Japanese imports in 1951.

15. The Japanese postwar economic recovery has taken place without significant trade with the Communist Bloc. Largely as a result of Japanese investment and emigration, Japanese trade with mainland China (including Manchuria) was at a high level during the prewar and war years. In 1941, mainland China (including Manchuria) supplied about 17 percent of Japan's total imports, and took about 27 percent of Japan's total exports. Mainland China supplied more than half of Japan's total coal imports, about a quarter of iron ore imports, and three-quarters of its soybean imports by quantity. Japanese trade with the Soviet Union and its East European Satellites has never been important. However, South Sakhalin, a part of the USSR since 1945, was an important supplier of coal and wood pulp to Japan before 1945.

16. There is a tendency among the Japanese to overestimate the benefit that Japan under present circumstances would derive from

trade with the Communist Bloc. Mainland China can provide little or none of such vital Japanese imports as sugar, rice, raw cotton, crude petroleum, bauxite, manganese, and copper. Moreover, since the Japanese have lost their investment position in the area and political considerations now exert an important influence on this trade, Communist China is not likely, at least for some years, to provide Japan with either markets or raw materials on a scale comparable to that of the prewar period.

17. Access to Communist China's markets and cheaper raw materials (particularly coal and iron ore) and access to coal and fishing grounds in the Soviet Far East would somewhat improve the competitive position of Japanese exports, ease Japan's balance of payments problems, and might improve prospects for expanded industrial activity. But such trade is not essential to Japan's continued economic growth so long as Japan can continue to develop large-scale trade with dollar and sterling areas, and particularly with Southeast Asia.

18. There are a number of serious obstacles to a further significant expansion of Japan's trade with non-Communist Asia such as the political instability of the area, the inconvertibility of sterling, and the present limited capacity of the area to produce the resources Japan requires. Over a period of time, these difficulties can be overcome, particularly if economic development programs in the countries concerned are undertaken on a large scale. But over the next few years, the prospects for a significant expansion of Japan's trade with non-Communist Asia are not bright.

19. Therefore, the Japanese Government will be subjected to strong internal pressures to develop economic relations with the Communist Bloc, particularly trade with Communist China. Serious popular resentment is likely to develop in Japan if, following an armistice in Korea and in the absence of other Communist attacks, Japan's Western orientation should preclude efforts to develop economic relations with the Communist Bloc. Resentment would be particularly strong if Japan, in response to US pressures, severely limited trade with Communist China and then found that individual Western Powers adopted less restrictive policies with regard to their own trade with this area. In addition, any of the following possible developments would greatly increase the pressure upon the Japanese to trade with the Communist Bloc:

a. Communist acquisition of Southeast Asia, which is assuming increasing importance to Japan as a replacement for China in its external trade.

b. A general economic depression preventing the expansion of Japanese exports to the non-Communist world.

c. A return to the restrictive trade policies of the 1930's on the part of non-Communist countries, notably the US and UK.

To offset these pressures, the Japanese Government will almost certainly seek sufficient US aid so that economic expansion can be continued without becoming dependent on Communist China for a significant portion of Japan's foreign trade.

Current Trends in the Distribution of Political Power

20. *Background.* Prior to V-J Day, political control in Japan was concentrated in three major groups — the military, the civilian bureaucracy, and the financial and industrial interests. The role of parliament, political parties, and organized labor was generally slight, and the real struggle for power took place within and among the three major power groups. The military occupied a position of particular strength because of its traditional prestige and its direct access to the Emperor, the titular source of all authority, and focus of national loyalty.

21. *Occupation Policies.* The occupation authorities, in compliance with the initial US post-surrender directive, attempted to establish the foundation for responsible, constitutional government and to broaden the base of political power and diffuse its exercise. Governmental changes initiated to this end included: (1) the granting of universal, adult

suffrage and the provision of constitutional guarantees of basic rights of political activity and organization; (2) the establishment of a parliamentary system insuring cabinet responsibility to the Diet; (3) the reduction of the Emperor's legal position to that of "symbol of the State and of unity of the people"; and (4) the encouragement of local autonomy, particularly with regard to local government, the police power, education, and taxation. Other measures, such as the barring of wartime leaders from public office, the encouragement of popularly supported political parties, the fostering of trade unionism, the land reform program, and the program to break up the great, family-controlled financial monopolies (Zaibatsu), aimed to develop new leadership and interest groups and to broaden popular participation in Japan's political life.

22. *Present and Probable Future Political Influence of Major Japanese Institutions and Groups*

a. The Emperor. A deep and abiding reverence for the Emperor institution as the symbol of stability in national life and of an ordered social structure continues to exist. In the past, the makers of modern Japan relied upon the prestige of the Emperor institution in executing their programs. Proposals to eliminate the Imperial institution, advanced by Japanese Communists and some Japanese intellectuals, have met with little or no popular support. In the short run, it is unlikely that any change in the constitutionally powerless position of the Emperor will be effected. If the prestige of the Imperial institution grows, however, the importance of the throne as a symbol of national unity and moral authority may again enable special interest groups to use the institution in their efforts to attain power.

b. The Military. One of the most significant postwar changes in domestic political relationships has been the destruction of the political power of the military. The military group was forced into the background, both by the stigma of defeat and by the terms of the occupation. Under the new Japanese constitution the military was deprived of its former power to overthrow a cabinet or block the formation of a cabinet. The present political leadership, moreover, appears determined to maintain firm control over the military. Although the rearmament of Japan, together with actual or threatened hostilities in the Far East, would gradually enhance the power position of the military class, this group will probably not attain its former supremacy except possibly under conditions of prolonged domestic or international stress.

c. The Bureaucracy. The power of the bureaucracy has been greatly circumscribed by the predominant position given the Diet in the new constitution and by the decentralization or elimination of some of the bureaucracy's functions. On the other hand, the relative power position of the bureaucracy was increased by the elimination of the military group and by the anti-Zaibatsu measures. Moreover, the occupation policy of working through Japanese governmental agencies whenever possible served to maintain the position and influence of this group, many of whom have attained prominence within the Diet and political parties themselves. Finally, the traditional tendency of the Japanese people, both in and out of government, to rely upon the trained bureaucracy as the repository of experience and skill in public administration will tend to sustain or increase the political influence of the bureaucracy.

d. Financial and Industrial Groups. At the outset, the occupation authorities in Japan, implementing US post-surrender policy, attempted to break up the family (Zaibatsu) financial and business monopolies. The heads of these monopolies were excluded from the business and public life of the country on the ground that they, in alliance with the military, had been responsible for Japanese aggression. Shortly after its initiation, the policy of destroying monopolies was modified on the grounds that its complete execution would dangerously postpone the economic recovery of Japan. Subsequently, the severity of the purge of business executives was also moderated. It is almost certain that dominant groups in Japanese business will soon succeed in modifying or abolishing most of the anti-monopoly legislation and that the trend will

be to monopoly organization and close ties between government and business. Financial and business interests will also influence government policy through their ties with the conservative political parties.

e. Labor. Although unionization proceeded rapidly after V-J Day, labor's political influence has been limited by a lack of cohesiveness and by factionalism in the labor movement, and in the left-wing political parties. Although organized labor will probably continue strikes and demonstrations, its political influence will probably decline at least through 1954.

f. Rural Society. The social stability and reliance on traditional patterns which characterize Japanese conservatism have historically drawn strength from Japan's rural society. Moreover, the land reform program has strengthened rural conservatism and stability by removing a major source of unrest and broadening the base of private land ownership.

g. Position of Political Parties. The placing of supreme executive and legislative power in the popularly elected Diet in postwar Japan has provided much greater opportunities for popular influence on national policy. However, while party leaders have dominated Japan's postwar politics, public opinion has had only limited influence on the political parties, in part because public opinion has been erratic. The parties continue to exhibit such prewar characteristics as factionalism, reliance on personal relationships, and neglect of grassroots organization. There are already indications of decreasing popular interest in party politics as the province of the relatively few. If these trends continue, the Diet will tend to revert to its prewar status as a political trading ground for dominant special groups.

h. The Press. The press has become an independent and articulate institution in the post-surrender period and will resist attempts of the government to institute pre-surrender control. So long as the press remains independent it will remain as a check on the arbitrary exercise of governmental power.

23. *Present Political Situation.* The current strength of the various Japanese political parties and factions in the Diet elected in 1949 is indicated below:

Japanese Diet
(As of 15 March 1952)

Lower House:		Upper House:	
Liberals	284	Liberals	82
Progressive Party	68	Ryokufukai	53
Right-Wing Socialists	30	Left-Wing Socialists	31
JCP	23	Right-Wing Socialists	30
Left-Wing Socialists	16	Democratic Club	17
Dai San Club	5	Progressive Party	14
Labor-Farmer	4	Dai Ichi Club	10
Farmers Cooperative	3	Labor-Farmer	5
Socialist Democrat	3	JCP	3
Independents	3	Independents	2
Vacancies	27	Vacancies	3
	466		250

a. Conservative Parties. Party names and party affiliations are constantly changing in Japan, but the dominant conservative party, the Liberals, has demonstrated a considerable degree of unity and party discipline. The Liberals now hold a safe majority in the Lower House. Although the Liberals have only a plurality in the Upper House, they are generally supported by the Ryokufukai, the Democratic Club, the Progressive Party, and the Dai Ichi Club, all of which are conservative factions differing little in their basic principles from the Liberals. Conservative strength in the Diet, in the light of existing social and political trends, will probably be maintained and even increased in the national elections required by January 1953, although shifts in the relative strengths of conservative parties may necessitate the formation of coalition governments. Conservative party support is found among all classes in Japan but is particularly strong in business and industrial groups, in the small towns and countryside, in the bureaucracy, and among former military personnel. Many present-day conservative leaders are the "liberals" of prewar Japan and are strong supporters of parliamentary government. In times of crisis, however, Japan's conservatives would not hesitate to adopt authoritarian political and economic measures.

b. Other Non-Communist Parties. The Japanese Socialists, the strongest group between the conservatives and the Communists, currently are split and disorganized over the issues of the peace settlement, rearmament, and Japan's orientation in the East-West struggle. Their support is drawn from organized labor, white-collar workers, students, intellectuals, and, to a lesser extent, small and medium businessmen. Because of their opposition to proposed modifications of occupation-sponsored economic and political reforms, the Socialists have been supported by these groups, largely urban, whose stake in the maintenance of such reforms is largest. In addition, many of their supporters among students and intellectuals, while not in sympathy with Soviet Communism, are impressed by the theoretical aspects of Marxism as an explanation of Japan's history and as a key to its future development. In general, however, support for the Socialist movement has been prejudiced rather than strengthened by the frequently doctrinaire approach to current problems particularly as advanced by left-wing Socialist leaders. Internal factionalism is likely to continue among the Socialists. Moreover, the development of strong and effective middle-of-the-road and moderate leftist parties is hampered by the strength of the traditional political and social organization of Japan on which conservative power is based.

c. Ultranationalist Groups. On the extreme right, numerous small and thus far ineffective ultranationalist societies have appeared in Japan in recent years. Their members include ex-military personnel, bureaucrats, and former administrators of Japan's overseas possessions. They have rallied little support and they will probably be unable to exert significant influence so long as the present leaders can make progress in rebuilding Japan's economy and in attaining a respected position in the Far East.

d. The Communist Party. The Japanese Communist Party has steadily lost popular support since its peak in early 1949, and has emerged from nearly two years of internal dissension and confusion as a disciplined party with approximately 50,000 registered members. The Soviet-sponsored party policy initially seeks to undermine the Yoshida government and the US position in Japan. Overtly the party seeks broad popular support by playing upon Japanese nationalism, exploiting the problems arising from Western orientation — particularly those relating to the presence of US troops in Japan, US control over the Ryukyus, and limitations on trade with Communist China. However, its increasing emphasis on underground organization and resort to violence will probably lead to increasingly repressive counter measures by the Japanese Government and will probably further reduce popular support for the party. A paramount Communist objective within Japan is to develop a para-military force meanwhile expanding its influence in left-wing labor by forcing it to choose between acquiescing in governmental suppressive measures or siding with the Communists. The Party has considerable capabilities for sabotage, espionage, and subversion. It does not have the capacity for seizure of power by violence, and future accretions to its strength will be overbalanced by strengthening of police and security forces.

Nationalism

24. Defeat in World War II discredited aggressive nationalism in Japan and for a time weakened national feeling. Many Japanese supported the concept that Japan was to be the Switzerland of the Orient, and the constitutional limitation on armaments still has strong popular support. The idea of neutrality remains attractive to many Japanese who fear the consequence of Japan's involvement in the East-West struggle. It may be expected that ultranationalists, Socialists, and Communists will exploit neutralist sentiment.

25. Conservative groups in Japan are now encouraging the revival of nationalism, and most of the Japanese people are coming to accept the necessity for alignment with the West and for defensive armament as a protection against possible Soviet aggression. Probably the memory of defeat and the changed power situation in the Far East will prevent a revival of the aggressive nationalism of the prewar period and slow the pace of rearmament at least for the next few years. However, most

Japanese believe that the future of their country is inextricably tied to the fate of Asia and that Japan's political and economic capabilities entitle it to leadership in Asia. Given an opportunity, it is probable that aggressive nationalism and pan-Asianism would revive in Japan.

Japan's Position as a Power in the Far East

26. Japan was able to pursue an independent and aggressive policy in the Far East prior to World War II because her industrial capacity, modern military forces, geographical position, and strong nationalism gave Japan a power position far stronger than that of the other states of the Far East, and because the attention of the other great powers was concentrated on Europe.

27. Following the defeat and occupation of Japan in 1945, Japanese military forces were disarmed and demobilized. At present, Japanese security forces, comprising the National Police Reserve (75,000), the Autonomous and National Rural Police (125,000), and the Maritime Safety Board (16,000), are capable of maintaining internal order, but would be unable by themselves to defend Japan against external aggression.

28. Several basic changes in the power situation in the Far East will affect Japan's ability to regain its prewar power position.

a. Japan cannot build military forces adequate for defense without extensive foreign aid. Japan now has the economic capability to maintain at least 8-10 divisions with supporting troops if this force is initially equipped by the US. On the other hand, the development of strong sea and air power would be a long-range project and would require substantial foreign economic assistance and, initially, foreign technical assistance as well. Diversion of materials to naval construction in the short run would seriously retard rebuilding the merchant marine and further complicate the foreign trade outlook. Thus Japan will require foreign military support even for defense and will be unable, for the predictable future, to develop with its own resources military forces capable of supporting an aggressive foreign policy.

b. Mainland China is controlled by a strong central government backed by formidable military power; Soviet power in the Far East has increased; and Communist China and the USSR are closely allied. The US has undertaken major political and military commitments in the western Pacific.

c. The wartime experience of most Far Eastern countries with Japanese occupation undermined Japan's prestige with the result that Japan has little appeal as an example or leader in Asia, and Communist China and India now contend for leadership in Asia. While these considerations do not preclude the re-emergence of Japan as a strong Asiatic power, they do make such a re-emergence very unlikely in the foreseeable future except with the support of some other power.

PROBABLE DEVELOPMENTS THROUGH 1954

Economic Developments

29. Irrespective of the level of trade with the Communist Bloc, economic output in Japan is likely to continue to expand through 1954. The major forces making for the expansion include the probable high level of US expenditures in Japan for special procurement and for Korean rehabilitation and the increasing rate of armament procurement for the use of Japanese forces. In addition there will be increasing capital investments directed toward the development of Japan's electric power resources, the merchant marine, nonresidential construction, and modernization and improvement of existing plant and equipment in Japan, and toward the development of sources of foodstuffs and industrial raw materials in South and Southeast Asia. Although Japan's dollar income and acquisition of other foreign exchange through 1954 will be enough to finance essential imports, continued pressure for increased consumption during this period of rising employment and incomes may make it politically difficult for Japan to get from domestic sources alone the funds required to finance investment and rearmament. Japan will therefore almost certainly seek US economic assistance. The Japanese Government may also resort to a reduction of consumption levels through inflationary deficit financing,

the traditional Japanese method of financing rearmament and investment programs. It is also likely that as the rearmament and investment programs claim an increasing share of Japan's resources, increased economic controls on the use of raw materials and manpower will be required.

Internal Political Developments

30. Through 1954 political conditions in Japan will probably remain generally stable largely as a consequence of the essential conservatism of Japanese society reinforced by the effects of land reform. The weakness of Japan in face of the growth of Communist power in Asia and the danger of Communism within Japan will encourage existing trends toward the revival of traditional ideals and traditional cultural and political patterns. It is also likely that the conservative government of Japan will repeal or make substantial modifications of occupation-sponsored measures — notably those affecting public safety, labor, business organization and practices, and education. These modifications are certain to provoke opposition of varying degrees from labor and from other elements generally supporting the Socialist parties, but their effect will generally be to reinforce the position of the dominant conservative groups. While the structure of government is likely to be little changed, it is probable that in its operation increasing recourse will be made to the prestige of the Emperor to win popular support for government policies. The bureaucracy and the financial-industrial interests are likely to be the major dynamic groups in Japanese politics and within the conservative political parties. The Socialist parties and organized labor will probably remain relatively weak. At least in the short run the left-wing Socialists are likely to become increasingly isolated in the Diet, supported by a narrowing sector of the electorate. The right-wing Socialists are likely to remain a liberal opposition party seeking support from disaffected elements to their right and left. The Communist Party, whether or not suppressed, will probably fail to regain significant popular support although it may expand its capacities for subversive action and extend its influence in the ranks of left-wing labor.

31. Thus conservative and generally effective government is likely to be continued through 1954. If, however, in the national elections which must be held by January 1953, the Liberal Party should lose its present majority position, divisions within the conservatives might weaken the Japanese Government. Any conservative government will be the target of popular resentment that may develop over such issues as the presence of US troops in Japan, US control of the Ryukyus, and controls on trade with Communist China. Exploitation of this resentment by opposition parties could develop considerable popular support and weaken the effectiveness of the government in its implementation of foreign policy.

National Objectives of the Japanese Government

32. The Japanese Government under conservative control will have as its basic objective the restoration of Japan to a position of independence and power. Specifically, the government will undertake to: (a) stimulate a unified national spirit; (b) expand the domestic economy and foreign trade; (c) develop military forces; (d) regain control of the Ryukyus, and at least the southern Kuriles; and (e) contain Communist power in Asia.

Foreign Policies

33. *Orientation toward the West.* At least for the next few years the rulers of Japan will almost certainly recognize that progress towards its foreign policy objectives and the national security of Japan require close relations with the US within a Western orientation. The degree of effective Japanese cooperation within this alignment, however, will be contingent upon satisfaction of its expectations for significant economic and military assistance, confidence in effective US aid in case of attack, compromise of the inevitable conflicts of US and Japanese policy, and treatment as a sovereign equal. Undoubtedly Japan will attempt to exploit its strategic position in the Far East to exact such terms from the US.

34. The Communist Bloc, aided and abetted by the Japanese Communist Party, may be expected to exploit every opportunity to hinder Japanese rearmament efforts, to encourage anti-US and anti-Western sentiments, and to hold out the prospect for profitable economic and political relations between Japan and the Soviet Bloc. The military capabilities of the Communist Bloc represent a formidable and immediate threat to Japanese security; at the same time, the development of commercial relations with Communist countries represents to many Japanese an attractive alternative to economic dependence on the non-Communist world. Japanese susceptibilities to Communist overtures or threats, however, are overshadowed by the prevailing Japanese belief that its national interests are best served by close relations with the West. Consequently, during at least the next two or three years, Communist efforts to influence the future orientation of Japan are not likely to attain significant success.

35. *Areas of Independent Policy.* As Japanese strength grows, however, Japan's national interests virtually dictate an increasing exercise of independent policy with respect to non-Communist Asia and to the Soviet Union and Communist China. Japan is likely to seek: (a) increasing economic and political ties with non-Communist Asia with the objective of attaining ultimate leadership in the area; and, (b) at least limited contacts with the Soviet Union and Communist China. Even a profitable relationship with the US is not likely to dissuade Japan from undertaking such independent courses of action. These courses of action will almost certainly be regarded by the Japanese Government as means of strengthening its bargaining power with the West, providing both short- and long-run economic advantages, bolstering its internal and regional prestige, and increasing Japan's freedom of action in the long run. Through 1954, Communist conciliatory and/or threatening tactics are not likely to alter Japan's fundamental Western orientation.

36. In the unlikely event that a coalition government with strong Socialist representation came to power, such a government would probably tend toward a "third force" position in Asia. In addition, it would probably seek to reduce Japan's commitments under the Security Pact with the US.

LONG-RANGE TRENDS IN JAPAN'S ORIENTATION

Major Influences

37. Beyond 1954, any Japanese government, whatever its political complexion, will be confronted by serious limitations upon its economic and military capabilities. A rising population and the probable sharp reduction in special US spending in Japan will make necessary a steady expansion in foreign trade, and probably foreign economic assistance if living standards consistent with political stability are to be maintained. Japan will not be able for many years, without foreign assistance, to defend itself against attack — much less to support an expansionist policy.

Future Trends

38. If they can maintain progress toward restoring Japan's economic and military strength and international prestige, conservative elements such as those now in control of the Japanese Government will probably be able to remain in power. Since those elements recognize an identity of interest with the US in containing Communism, they may be expected to continue a foreign policy generally consistent with US objectives. The degree of Japan's cooperation with the West will depend, however, on the military security, economic opportunity, national self-respect, and international position which a Western orientation offers.

39. Since Japan will aspire to an independent position of power in Asia, complete coincidence of Japanese and US foreign policies is unlikely. The US could expect most cooperation from a Japanese government that was successfully meeting its problems as a consequence of US economic, military, and diplomatic support.

40. If, however, Japan is unable to solve its economic problems, it will be particularly vul-

nerable to economic and diplomatic pressures from the Soviet Bloc and will be tempted to seize opportunities for closer economic and political relations with the Bloc. Even in this situation a conservative government would seek to avoid courses of action that would be likely to lead to Japan's absorption into the Bloc. Serious internal pressure in Japan would be more likely to result, at least initially, in a trend toward traditional authoritarian measures rather than in the rise of a pro-Communist regime.

41. The most probable long-term prospect lies between these two extreme cases of very close cooperation with the US and an attempt to pursue a neutralist foreign policy. As the Japanese bargaining power increases, Japan will attempt to increase its freedom of action as a great Asian power, within the framework of a generally pro-Western orientation. Japan will probably attempt to readjust its relations with the US, seeking to eliminate the basing of US troops in Japan and seeking to attain increased influence and leadership in Asian affairs of joint US-Japanese concern. Japan will inevitably attempt to expand economic and political relations with Communist China, and probably with the USSR, to the extent possible without jeopardizing its domestic stability and will seek at the same time to avoid a basic alteration in its pro-Western foreign policy.

APPENDIX "A"

JAPAN'S DEVELOPMENT AS A MODERN STATE

Basic Prewar Influences on Japan's Orientation

1. *Early National Objectives.* The emergence of Japan as a modern power began in 1868 when a group of soldier-statesmen seized control, restored the authority and prestige of the throne, and set out to make Japan secure against Western encroachments and to make Japan a great power. From their contacts with the West, these early Japanese leaders realized that to attain their objectives it was necessary to adopt Western political forms and to modernize Japan through the institution of such programs as universal military training, universal education, and industrialization. They also were aware that Japan, an insular country with inadequate natural resources, would have to expand its foreign trade if these objectives were to be achieved.

2. *The Growth of Nationalism.* While emphasizing modernization, Japan's leaders were careful to preserve the tightly integrated feudal loyalties and political hierarchy, redirecting popular loyalty from feudal families to the imperial institution. Thus redirected, the totality of national loyalties and energies could be focused on support of foreign policies regardless of the material sacrifices imposed upon the mass of Japanese people. Through the educational system and universal military training, Japanese youth was indoctrinated to glory in Japan's military traditions and national heritage. Within a few decades the average Japanese had developed an intense loyalty to the Emperor and a profound belief in the mission of Japan to bring order to Asia.

3. *Development of Expansionism as a National Policy.* Initially, Japan's leaders concentrated on the development of normal international commercial relations, and the creation of national strength. However, Japanese leaders, with their military background, strong nationalism, and appreciation of the weakness of China, were impatient to follow the 19th century example of Western imperialism in the Far East. The war with China, started by Japan in 1894, signified the triumph of the policy of forceful expansion. From 1894 until the Washington conference of 1921-1922, which marked the end of the first period of Japanese expansion, Japan had acquired control over Formosa, Korea, the Pescadores, South Sakhalin, and the Mandated Islands and had achieved recognition of a special position in South Manchuria. A fuller measure of Japan's expansionist ambitions was also revealed in the "21 Demands" served on China in 1915.

4. *The Interval of Peaceful Cooperation.* By 1918, the control of Japan had passed from the hands of the above small group of aristocratic elder statesmen (Genro), heirs of the past, who had created and guided the modernization of the Japanese State, to members of the new classes developed in the process of that modernization. The new leadership was found in the new bureaucracy, product of the new education; in the officer corps of the newly created National Army; and in the new business leaders, who as heads of the family controlled financial houses were still closely allied with the two powerful feudal clans that had engineered the Meiji restoration. The postwar surge of popular and national interest in the building of an industrial structure with world wide trading connections, and the fading out of the old feudal controls before the advancing competence of the new national bureaucracy, provided political parties and the Diet with a brief opportunity to exercise a fairly significant degree of influence in national policy, at home and abroad. During the decade that ended with 1932, business leaders who exerted a dominant influence favored Japanese participation in world disarmament. They were convinced that Japan possessed economic advantages that would make peaceful economic expansion more profitable than an expansion built upon armed

force. Under their influence and leadership Japan followed a course of peaceful international cooperation until 1931.

5. *Return to Expansionism Following the Depression.* By 1930, however, international cooperation had been discredited in Japan, particularly as a result of the world-wide depression which hit Japan especially hard. To many Japanese, the only answer to Japan's problems of supporting its swollen population was a resumption of expansion by force. The discrediting of liberal policy and business leadership within Japan and the growing support for policies of aggressive expansion facilitated the return to power of the military class, this time unrestrained by the wisdom and world knowledge of the "Elder Statesmen." During the 1920's there had deve'oped a new class of young officers, much influenced as to their outlook by the plight of the rural class from which most of them had sprung. They were chauvinistic, anti-capitalistic, anti-democratic, and fanatically convinced that Japan's Emperor was being badly advised by self-seeking and corrupt politicians, and were completely converted to the belief that aggressive expansion offered the only solution to Japan's domestic and foreign problems. This group, relying upon its traditional prestige as the loyal supporters of the Emperor, and its constitutional direct access to the Throne, terrorized all opposition, renewed the indoctrination of the people in the ancient warlike and austere virtues of the Japanese people, and embarked on a program of expansion. The weak reaction of the major powers to the initial Japanese act of aggression in Manchuria convinced these youthful leaders and the Japanese populace that the new policy was safe and profitable.

Prewar Orientation

6. Japan's power position in the Far East was generally sufficiently strong to allow Japan to remain free from precise or restrictive alliances or commitments. Japan's orientation with respect to any particular major power was determined primarily by coincidence of interests, or by the other power's will and ability to support a position in the Far East, rather than by any traditional relationship. Only Japan's relations with China and with Russia (both Tsarist and Communist) provided significant exceptions to this generalization. Because of China's geographical proximity, raw materials, and market potential, Japan traditionally regarded both China proper and Manchuria as its sphere of interest and the most suitable fields for expansion. The Japanese program, however, led to conflict with Russian interests in Northeast Asia, and Russia — Tsarist and Soviet — was therefore regarded as the greatest potential or actual threat to Japan's national interests. However, both powers for various reasons, attempted for some time to accommodate their interests on the Asiatic mainland. Japan regarded such an accommodation as a prerequisite to its expansion and consolidation in China and areas to the south.

APPENDIX "B"

FOOD REQUIREMENTS OF JAPAN BY PRINCIPAL ITEMS 1936–40, 1950, AND 1953

Commodity	Total Supply			Domestic Production			Net Imports [a]		
	1936–40 (av.)	1950	1953	1936–40	1950	1953	1936–40	1950	1953
	(in 1,000 metric tons)								
Rice (brown rice equivalent) [b]	12,387	10,390	10,543	9,861 [c]	9,652 [d]	9,500 [e]	2,526	738	1,043
Wheat	1,259	2,904	3,825	1,454 [c]	1,338	1,375	–195	1,566	2,450
Minor grains	2,150	2,880	3,500	1,838	2,162	2,500	312	718 [f]	1,000
Pulses	1,122	702	900	622	498	500	825	204	400
White potatoes	1,824	2,438	2,450	1,824	2,442	2,450	..	–4 [f]	..
Sweet potatoes	3,122	6,290	6,300	3,122	6,290	6,300	..	..	..
Sugar	1,166	453	640	150 [g]	..	..	1,016	453	640
Fish	3,749	3,075	3,310	3,713 [g]	3,202	3,500	36	–127 [f]	–190
Estimated daily per capita caloric intake	2,280 [h]	2,000 [h]	2,150 [h]						

a. During the year 1936–40, *rice* was obtained almost entirely from Korea and Formosa. *Pulses (soybeans)* were supplied by Manchuria and China. Principal sources for *sugar* were Indonesia, Formosa, and the Philippines. *Minor grains* were imported from a number of the countries in Asia.

During 1950, *rice* purchases were made chiefly in Thailand and Burma with smaller quantities from Korea, Egypt, China, Mexico, and the United States. *Wheat* procurement was made largely in the US, Canada, Australia, and Argentina. Principal suppliers of *minor grains* were the US, Canada, Argentina, Australia, and the Middle Eastern countries. China and the United States supplied all of the *soybeans*. *Sugar* was purchased almost entirely in Formosa, the Philippines, and Cuba.

Projections for 1953 assume a pattern of procurement similar to that for 1950, with the exception that Communist China is not assumed to be a major trading partner of Japan. In general, the Southeast Asian countries, Korea, and Formosa are expected to become increasingly more important to Japan as suppliers of rice. The US and Canada will supply the bulk of wheat and minor grains. The US will also supply the bulk of Japan's soybean requirements and possibly 200–300,000 tons of rice in 1953.

b. Conversion factors used are as follows: 0.8 brown rice equals 1.0 paddy rice; and 0.91 milled rice equals 1.0 brown rice. Imports were assumed to be milled rice.

c. The production of rice and wheat during this period was above the average for 1931–40. The average for rice during the years 1931–40 was 9,359,000 metric tons; and for wheat, 1,274,000 metric tons.

d. The production of rice during 1950, because of favorable weather conditions, was above the average for the postwar years. Rice production in 1951 totaled 9,042,000 metric tons, brown rice equivalent. Average annual rice production for the years 1946–1950 was 9,458,700 metric tons.

e. The estimate for rice production in 1953 appears to be low as compared to the years 1936–40 and 1950, but this is only because of the very favorable weather conditions during these years, which resulted in bumper crops. The estimates for 1953 are based on the assumption that average weather conditions will exist in that year, that productivity per unit of land will improve only slightly over the postwar average, and expansion of cultivated acreage will be negligible.

f. Data are for US fiscal year 1951.

g. Data are for 1936.

h. The estimated caloric levels per capita in the postwar years appear somewhat high in relation to the total supply of foodstuffs available and in consideration of the population increase. However, this arises from the fact that, in the postwar years, better and more complete usage of available supplies of food-

stuffs has been made. For example, the milling rates for wheat are now somewhat higher than in the prewar years; non-food uses — such as rice for *sake* (rice wine), fish for fertilizer and other industrial uses — have been cut down; storage facilities and marketing procedures are now more efficient. It is estimated that these various changes save about 5 percent of food on a per capita basis.

Sources: The 1936–1940 and 1950 production and net import data are based on the Japanese Government 1951 Annual Report to the Food and Agriculture Organization of the United Nations, June 1951; SCAP, Natural Resources Section Report Number 143; *Japanese Crop and Livestock Statistics*, 1951; and SCAP, *Japanese Economic Statistics* bulletin No. 62, Section II, October 1951. The 1953 data are estimates of OIR/DRF, Department of State.

APPENDIX "C"

JAPAN'S INDUSTRIAL PRODUCTION 1936, 1951, 1953, AND CAPACITY 1951

Commodity	1936 Production	1951 Capacity	1951 Production	1953 Production
	(In metric tons, unless specified otherwise)			
Pig iron	2,008,000	7,000,000	3,124,000	4,930,000
Crude steel	5,223,000	11,030,000	6,499,000	9,150,000
Aluminum	4,693	90,000	36,778	60,000
Copper refined	77,973	120,190	90,949	120,000
Cement	5,579,000	8,836,000	6,548,000	8,800,000
Ammonium sulphate	875,000	2,200,000	1,697,000	2,150,000
Petroleum products (bbls.) [a]	13,822,200	28,100,000	19,000,000	26,550,000
Cotton yarn	654,528	441,818	335,000	420,000
Cotton fabrics (1,000 sq. yds.)	3,495,000	3,901,000	2,178,000	3,380,000 [b]
Rayon fabrics (1,000 sq. yds.)	1,044,000	1,920,000	810,000	1,200,000

a. Refinery output.

b. Estimated on the assumption that total yarn production less yarn exports will be manufactured into fabrics. Fabrics are calculated on the basis of 4 yards equaling 1 lb. of yarn.

Source: The 1936 and 1951 data are based on SCAP reports; 1953 estimates are those of OIR/DRF, Department of State.

APPENDIX "D"

PRINCIPAL RAW MATERIAL REQUIREMENTS OF JAPAN, 1936, 1951, AND 1953
(IN 1,000 METRIC TONS UNLESS SPECIFIED OTHERWISE)

Commodity	Total Requirements			Domestic Production			Imports		
	1936	1951	1953	1936	1951	1953	1936	1951	1953 [a]
Raw Cotton	925	399	568	..	..	..	925	399	568
Raw Wool	100	69	79	negl.	negl.	negl.	100	69	79
Coal [b]	46,758	44,978	53,125	41,803	43,200	50,000	4,955	1,778	3,125
Salt	1,935	2,325	2,500	519	600	650	1,416	1,725 [c]	1,850
Iron Ore [d]	4,528	5,825	9,010	505 [e]	2,325 [f]	3,700 [f]	4,023	3,500 [g]	5,310
Copper Ore (Content)	113	50	120	65	50	60	48	negl.	60
Crude Petroleum (1,000 barrels)	26,959	20,333	29,500	2,561	2,333	3,500	24,398	18,000 [g]	26,000

a. Principal sources for raw material imports are summarized below:

Raw Cotton	About three-fourths of Japan's imports will probably be from the US; the remainder will be largely from Pakistan, Egypt, Mexico, and Africa.
Raw Wool	The bulk will be from Australia with smaller quantities from South America, Africa, and possibly the US.
Coal	The US is likely to be by far the largest supplier, with smaller quantities coming from India and Goa. Communist China and Sakhalin are other potential suppliers.
Salt	The Near Eastern countries, followed by Southeast Asiatic countries — including Formosa — and Spain are likely to be the major suppliers. Mainland China potentially is a large supplier.
Iron Ore	The Malayan Union, the Philippines, Goa, and India will be the principal Asiatic suppliers; substantial quantities of US and Canadian iron ore will probably also be imported.
Copper	The US and Chile are primary sources.
Petroleum	The Near East and the US are principal sources. Indonesia may become important in the future.

b. Domestic production is largely bituminous grade; small quantities of semi-anthracite coal are also included. Imports consist largely of metallurgical grade coking coal; only several hundred thousand tons of anthracite coal are included.

c. Estimated.

d. Figures are given in terms of ore of which 60 percent is iron content.

e. Includes only iron ore, as complete data for other sources of iron are unavailable.

f. Includes all types of iron for pig iron production, such as pyrites, iron sands, etc.

g. Estimated.

Source: Data for 1936 are based on official Japanese statistics; data for 1951 are based on SCAP reports; estimates for 1953 are those of OIR/DRF, Department of State.

APPENDIX "E"

JAPAN'S EXPORTS BY MAJOR CATEGORIES, 1936 AND 1951, AND ESTIMATES FOR 1953

COMMODITY	1936	1951 (in million US dollars)	1953 [e]
Foodstuffs and Beverages [a]	111.8	69.3	100
Textiles and Fibers [b]	506.8	554.2	885
Machinery and Metal Products [c]	158.0	428.1	600
Chemicals [d]	44.2	37.0	83
Miscellaneous	218.2	265.9	257
Total	1,039.0	1,354.5	1,925

a. Includes exports of minor cereals, vegetable and fish oils, vegetables and fruits, canned and other packed foods, tobacco, alcoholic beverages, and tea.

b. Includes exports of cotton, rayon, wool, industrial fibers, and their manufactures. Cotton textiles are by far the most important in value: in 1936, they were valued at $185 million; in 1951 at $345 million; and estimates for 1953 provide for $540 million. In 1936, raw silk and silk manufactures, valued at $140 million, were also of major importance.

c. Includes exports of metals and ores, steel mill products, transportation equipment (water and land), machinery and motors, and other metal products.

d. Includes exports of chemical fertilizers, sulphur, caustic soda, and dyes and paints.

e. Markets for Japanese exports, especially of textiles except for raw silk and fabrics, lie chiefly in Asia. It is estimated that about one-half of the value of Japan's total exports in 1953 will be sold in Asia, exclusive of Communist China; about one-sixth to the United States, Canada, and Mexico; and the remainder will be to the other areas of the world. Machinery and metal products, it is estimated, will find increasingly larger markets in Asia as well as in other areas of the world. Chemicals, particularly nitrogenous fertilizer, will find a ready market in Asia. Foodstuffs, such as marine products, canned foods, and tea most likely will be sold to the dollar areas, chiefly the US.

Source: Prewar data are based on Official Japanese Trade Statistics and include exports to Korea and Formosa; 1950 data are based on SCAP, *Japanese Economic Statistics*, No. 54, Section II, February 1951; estimates for 1953 are by OIR/DRF, Department of State.

APPENDIX "F"

JAPAN'S BALANCE OF PAYMENTS IN 1936 AND 1950 AND ESTIMATES FOR 1953

	1936	1950	1953
		(in million US dollars)	
Exports (f.o.b.)	1,034.9	911.2	2,025.0 [a]
Imports (c.i.f.)	—1,049.3	—969.9	2,600.0
Trade balance	— 14.4	— 58.7	— 575.0
Non-monetary gold	....	3.8	....
Transportation and insurance	68.4	3.9	132.0
Investment income	50.8	— 6.8	— 9.0
Other services	— 34.3	110.3	770.0 [b]
Total goods and services	70.5	52.5	318.0
Private donations	36.9	39.6	10.0
Other	— 93.8 [c]	— 15.8 [c]	— 55.0 [c d]
Total	— 56.9	23.8	— 45.0
Errors and Omissions	— 6.7	48.2	....
Surplus or deficit (—)	6.9	124.5	273.0
Compensatory official financing			
US appropriation	....	360.9	....
US credits	....	— 43.1	[e]
Short-term assets	15.7	—438.5	— 273.0
Monetary gold	— 22.6	— 3.8	....
Total	— 6.9	—124.5	— 273.0

a. Includes an estimated $100 million in UN procurement for the rehabilitation and reconstruction of Korea.

b. This figure consists of $250 million for personal expenditure by Allied Forces in Japan, tourist receipts, and foreign investments in Japan; and $520 million for procurement and payment by the US for: (1) the maintenance of US Forces in Japan; (2) military construction in Japan; (3) the support of Japanese security forces; (4) the maintenance of the Republic of Korea (ROK) army; and (5) MDAP procurement for South and Southeast Asia.

c. Includes private capital movements and official amortization.

d. Includes reparations and restitution payments.

e. Japan recently received a $40 million cotton revolving fund credit. Utilization of this credit can be expected during 1953, but only the interest payments are considered in the table.

Source: Data for 1936 and 1950 are based primarily on IMF *International Financial Statistics*, January 1952; estimates for 1953 are those of OIR/DRF, Department of State.