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26 November 1965
Rebecca
L. [unclear]
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NATIONAL INTELLIGENCE ESTIMATE

JAPAN

- Sato's Political Position
- The Domestic Economy
- Foreign Economic Situations
- Military Prospects
- Foreign Policy

NOTE: This is an advance copy of the conclusions of this estimate as approved by the United States Intelligence Board. The complete text will be circulated within five days of this issuance.

Central Intelligence Agency

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CENTRAL INTELLIGENCE AGENCY

26 November 1965

SUBJECT: NIE 41-65: JAPAN

THE PROBLEM

To estimate the political, economic, and foreign policy prospects for Japan over the next two or three years.

CONCLUSIONS

A. Prime Minister Sato's position is probably secure for the period of this estimate. It is unlikely that his conservative majority will shrink significantly in the next lower house elections, which will probably be held in 1966. The major threat to his position is the current business slowdown, but we believe that his administration's fiscal measures and the basic strengths of the economy will prevent further deterioration and permit a modest recovery within a year or so.

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B. Another major problem for Sato is his identification with generally unpopular US policies in Vietnam. If extremists who now lead the opposition Socialist Party succeed in exploiting the issue to mount mass demonstrations on the scale of those in 1960, Sato might be forced to resign in favor of another, less identifiably pro-US conservative leader. On balance, however, we believe that the leftists will not succeed in removing Sato with these tactics under foreseeable circumstances.

C. Economic conflicts between Japan and the US will remain, but none has so far caused or is likely to cause any serious or lasting damage to a generally friendly relationship, or jeopardize the political stability of the Sato administration. The main problems in Japanese relations with the US will continue to be those of Communist China, Vietnam, and Okinawa. Japanese trade with Peking will continue to increase, though at a less spectacular rate than in recent months. In 1966, Sato will probably extend credit guarantees to cover exports to Communist China. He will seek to avoid diplomatic recognition of Peking as long as possible; but if Peking gained significant further international recognition, he would probably follow suit, hoping that any impairment of Japan's relationship with Taiwan would be temporary.

D. Japan will continue to rely on the Security Treaty with the US for military protection. While some qualitative improvement is in prospect, there is little chance that Sato will press for any major increases in Japan's own defense forces over the next two or three years. He will

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remain sensitive to public concerns on Vietnam and will continue to oppose the use of Okinawan bases for direct bombing attacks, particularly on North Vietnam. We foresee a growth of Japanese nationalism and self-assurance, which will be reflected in a somewhat more independent policy toward the US on these and other issues, and in a more active political role in general in East Asia.

E. Nonetheless, Japan's initiatives in foreign affairs are apt to be cautious and pragmatic, designed to further its efforts to expand trade in as many directions as possible. Willingness to support plans for development of Southeast Asia will be similarly conditioned; Japan is not prepared to accept US direction on its economic assistance role in the area.

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