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Final Report—Volume II



**JAPANESE SECURITY POSTURE
AND POLICY, 1970-1980 (U)**

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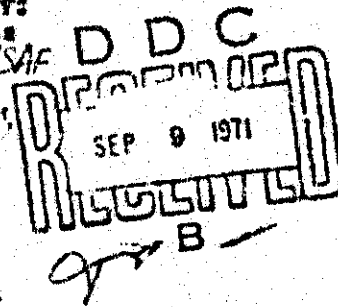
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This is the second volume of a three-volume study of Japanese security posture and policy in the 1970s. Volume II consists of 10 appendices. An abstract of the study is contained in Volume I.

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PREFACE

Many people made important contributions to this report. Under the direction of Dr. George A. Daoust, Jr., Director, Political Policy Analysis Department, the principal authors of the report were Dr. John M. Hutzel, Project Director, and Dr. M. O. Edwards. They were responsible for organizing and directing the efforts of the large team of specialists, both within and outside SRI, who made contributions; Hutzel and Edwards also integrated the analyses, edited the preliminary drafts, and prepared the summary findings and conclusions in Volume I.

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Appendix D, Social Forces and the Stability of the Political System, Drs. George A. DeVos, University of California and J. M. Hutzel, SRI

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Appendix F, Japanese-U.S. Relations, M. O. Edwards, SRI

Appendix G, Great Power Interests in East and South Asia, M. O. Edwards, SRI

Appendix H, Internal Economic Trends, Dr. Leon Hollerman, Claremont Men's College

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Appendix I, External Economic Trends, Dr. Leon Hollerman,
Claremont Men's College

Appendix J, Japanese Technological Developments Between 1970
and 1980, Dr. James Hacke, SRI

Appendix K, Surprise-Free Projection of Japan's Status in 1980,
M. O. Edwards and J. M. Hutzel, SRI

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SRI, and Col. Donald Marks, USAF.

In addition, the following specialists reviewed parts of the final
draft and made valuable contributions to the report.

Dr. William B. Bryant, SRI
Mr. Hugh L. Burleson, USIA
Col. Patrick Langdon, USAF
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Appendix A

HISTORICAL REVIEW

I Introduction

The following brief historical review provides a basis for analysis throughout the study. It is selective with respect to the two purposes of the study: to determine (1) the degree to which Japan will assert itself as a regional or world power in the political-military areas of international relations, and (2) the implications of the study findings for U.S. national security policy and, in particular, for USAF strategic planning and force posturing. Other appendices include historical data in relation to specific factors, and this material is not duplicated here.

II Developments in Postwar Japan

A. Demography

The Japanese islands lie off the Asian continent in an arc stretching from latitude 45° North to latitude 35° North, occupying a range comparable to that of the Atlantic seaboard of the United States from Maine to Georgia. Japan's location is analogous to that of Britain in that both are island countries in temperature latitudes lying off opposite shores of the same continental land mass. Japan is, however, more isolated, since it is 180 miles to the nearest point of land in South Korea and 500 miles to mainland China.

Hokkaido, Honshu, Shikoku, and Kyushu are four large and closely grouped islands that constitute 98 percent of the territory of Japan.

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The remainder consists of a large number of small islands. Following defeat in 1945, Japan lost all of an extensive overseas empire. In addition, the Soviet Union annexed the Kuriles and Southern Sakhalin and the United States occupied the Bonin and the Ryukyu Islands. However, Japan was given full control of the Amami group of the Ryukyu Islands in 1953, and the Bonins were returned in 1968. The United States further agreed in 1969 to the return of administrative rights over Okinawa in 1972. The Japanese have not yet recovered any of their territory from the Soviet Union.

In total area (369,662 km²), Japan is smaller than France but slightly larger than Britain or Italy. Poorly endowed with mineral resources, the islands are heavily dependent upon imported raw materials and fuels. The biggest import category in terms of value is oil shipped from the Middle East.

Japan is the seventh largest country in the world, with a population that exceeded 100 million in 1967. Only 16 percent of the land is arable, accounting for the extremely high population density of over 4600 people per square mile of cultivated land. Japan is today one of the most congested countries of the world.

Tokyo, Osaka, and Nagoya are the three most conspicuous urban-industrial concentrations and contain more than one third of the population. With seven cities of one million or more inhabitants, and an additional 124 cities with populations of between 10,000 and one million, Japan is by far the most urbanized country in Asia. In gross national product, Japan overtook West Germany in 1968 and now ranks third in the world after the United States and the Soviet Union. However, the gross national product per capita, although it surpassed that of Italy, is only about one quarter of that of the United States and about one half of those of West Germany, France, and Britain.

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B. The Occupation (1945-1952)*

1. General

Although Commonwealth forces were stationed in some areas, the Occupation was almost exclusively an American undertaking. General Douglas MacArthur, in charge of American operations in Japan during the Occupation, made his decisions with or without agreement from Washington. In ruling Japan, General MacArthur acted through the Japanese Government, a procedure that worked smoothly in most instances. Between conquerors and conquered there was a harmony that could not have been foreseen during the years of warfare. Demonstrating their intense pragmatism, the Japanese made the most of their situation. The events of 1945 seemed to demonstrate to them that their method of conducting affairs was inefficient and unrewarding. Once it was clear that the American attitude was neither vengeful nor oppressive, the Japanese were quick to receive new ideas and approaches. During the first two years of the Occupation, the Americans, exemplifying Democracy triumphant, could do little wrong in the eyes of at least the younger generation of Japan.

2. Political, Economic, and Social Reforms

The watchwords of the Occupation, particularly during the early stages, were disarmament and democratization. The new Constitution,

* The following summary is adapted from Richard Storry in the 1969 Special Europa Edition, Far East and Australasia, Japan (London: Europa Pub Ltd, 1969, pp. 705-708). See also R. Storry, A History of Modern Japan, Baltimore, Maryland: Penguin Books, 1960; Wm. J. Sebald and C. Nelson Spinks, Japan: Prospects, Options, and Opportunities, Washington, D.C.: American Enterprise Institute, 1967; Edwin D. Reischauer, The U.S. and Japan, 3rd ed., New York: Viking Press, 1965. Shigeru Yoshida, "Japan's Decisive Century," 1967 Britannica Book of the Year; Chicago: Encyclopedia Britannica, Inc., 1967, pp. 17-48 (also published by Praeger in 1967).

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promulgated in 1946, reflected both of these aims. Article 9 stated that the Japanese people renounced war and that "land, sea, and air forces, as well as other war potential, will never be maintained." Article 66 prescribed that the prime minister and his cabinet must be civilians. Other Articles of the Constitution reflected the authentic spirit of North American democracy, with full emphasis on the rights of the individual. Sovereignty of the people was declared in Article 1. The Emperor was made "the symbol of the State and of the unity of the people," and it was affirmed that he derived his position "from the will of the people."

Land reform was a second measure of profound social and political importance instigated by General MacArthur's headquarters. Scores of thousands of tenant farmers were able to obtain ownership of the land they cultivated. Before the war Japanese farmers had been a subjugated class; through General MacArthur's land reform, they became firm, if not always satisfied, upholders of the political status quo. Left-wing parties found the farming vote difficult to entice. The average farmer, freed from the burden of rent and assured sales of his crop to the government at guaranteed prices, was not impressed by advocates of collectivization and other projects of agrarian socialism.

A drastic purge, unfair to many of those affected, barred from public office of any kind all of those held to have participated in planning and supporting aggressive war. Whole categories came under the ban. Several years later, however, as Japan became allied with the United States, the majority of these purgees were rehabilitated.

Retribution was visited on those convicted of war crimes. A number of trials took place, the most celebrated being the international tribunal in Tokyo that tried the "major" war criminals, including General

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Tojo and other military and civilian leaders. General Tojo and six others were sentenced to death and executed.

The educational system was reformed from top to bottom. In terms of organization and syllabus it was reworked to a pattern resembling that of the United States. The primacy of obedience and self-sacrifice characterizing the famous Rescript on Education of 1890 was discarded. Under the democratization program, there was a thorough revision of school books concerned with history, political science, and ethics.

Other changes of profound political and social importance included: a drastic decentralization of what had previously been a highly centralized system of government, a complete reform of the national and local civil service, an attempt to establish a new democratic system of political parties and to regulate abuses associated therewith, the introduction of a completely new concept of civil rights, human rights, the rights of women, and the rights of labor, a complete overhaul of the judicial and legal system, and the promotion of labor unions, organizations and collective bargaining. Few aspects of the culture escaped attention.*

These manifold changes, almost revolutionary in character, were liberating in their effects but also caused substantial confusion. All established authority was called into question, and traditional, basically Confucian, ethics were weakened. The fundamental effect of the Occupation reforms however, was to encourage an open, plural society

* Robert E. Ward, "The Legacy of the Occupation," in Herbert Passin (ed.) U.S. and Japan. Englewood Cliffs: Prentice Hall, pp. 34-35.

in which the individual was more highly regarded and which opened the way for Japan's outstanding postwar progress.

3. Consolidation of Relations with the West

As the international situation hardened into the Cold War and U.S. foreign policy shifted to containment of international communism, the attitude of General MacArthur's headquarters underwent a subtle but definite change. Emphasis was shifted from reform to rehabilitation. After 1947 it was no longer fashionable among the General's entourage to view the Japanese Left as a progressive and liberating force. During 1948 and 1949, as the armies of Mao began to gain ground in China, and as it became clear that American influence on the Chinese mainland might soon be eliminated, the importance of Japan as part of the free world was obvious. The outbreak of the Korean War in the summer of 1950 made the revival of Japan essential. Japan came to be regarded not as a recent enemy, but rather as a new friend and major ally. Under these circumstances, the disarmament clause of the Constitution became an embarrassment to be circumscribed. The first steps in rearmament were taken in 1950 after war had started in Korea, when General MacArthur authorized the Yoshida cabinet to recruit a gendarmerie (the National Police Reserve) of 75,000 men.

The Occupation lasted until the end of April 1952, much longer than General MacArthur had planned. Soon after his basic reforms had been introduced, he decided that the situation called for a peace treaty. Although the Japanese feared that his dismissal by President Truman in 1951 might check progress towards a treaty, on 8 September 1951, the treaty was concluded between Japan and 48 nations* in San

*The Soviet Union, the two Chinas, India, and Burma were not among them.

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Francisco. On the same day, a bilateral security pact was signed in which Japan asked the United States to retain its forces in and around the Japanese islands as a defense against outside attack. In the spring of 1952, the San Francisco Treaty came into force and Japan became once again an independent state.

C. Independence

Since 1952 Japan has had astonishing material success, bringing solid practical benefits to the Japanese people in terms of the comfort and enjoyment of daily life. Few had predicted the speed and extent of this economic leap forward, since the problems facing the country in the early Fifties seemed too great to encourage much optimism about the future. The population was approaching one hundred million. The markets in both China and Korea were lost. The Soviet Union had put a stop to nearly all Japanese fishing in the seas between Hokkaido and Kamchatka, where previously the richest harvest of salmon and crab was garnered for both home consumption and the export trade. Above all, the nation was very poorly endowed with natural resources. It seemed logical to expect that recovery would be slow.

A number of factors worked in Japan's favor. A considerable boost was given to the economy by the offshore procurement for the support of the Korean War. Also, with the development of synthetic products

The peace treaty placed the Ryukyu, Bonin, and Volcano Islands under a UN trusteeship. The Japanese had made clear their desire that the people of Okinawa be regarded as Japanese subjects and that economic and other relations be maintained. U.S. acceptance of this view in principle resulted in the recognition of Japan's "residual sovereignty" over Okinawa. The Ryukyu Islands did not, however, become a UN trust territory, but instead were administered directly by the United States.

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during the postwar years, the importance of primary products or raw materials declined. New discoveries of raw materials in various parts of the world helped to create a buyers' market, making the loss of access to the high-grade coal and ore of Manchuria and North China less vexatious than had been feared.

These and other factors, however, would have held only minor significance had they not been intelligently utilized. The strongest factor behind the success of Japan is summarized in the words of Shigeru Yoshida, written shortly before his death:

It was the diligence, initiative, and creative ability of the Japanese people that enabled them to exploit the advantages offered. The precept 'God helps those who help themselves' was certainly valid for postwar Japan. The economic rehabilitation and advance of Japan was due less to political factors than to hard toil and good fortune.*

Significant contributing factors were: (a) Japan's lengthy experience with modernization, including large-scale organization and complex economic structures; (b) political stability; (c) a culture that, despite the postwar upheaval, was still rooted in discipline, acceptance of hierarchy, and the work ethic essential to growth; and (d) a literate and technologically well-educated population. This combination made Japan a world leader in shipbuilding, the world's third greatest producer of steel (with a production exceeding that of Great Britain and Germany combined), and a striking example of speed in economic growth which other industrial societies have thus far failed to emulate.

* Shigeru Yoshida, Japan's Decisive Century: 1867-1967. New York: Praeger, 1967 (also published in Britannica Book of the Year, 1967, pp. 18-18).

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Since independence it has been government policy to give priority to economics over politics. In foreign affairs, a close association with the United States has been sustained. A revised security pact was concluded and ratified in 1960 against shrill and determined popular criticism expressed both in the Diet and in repeated street demonstrations on a massive scale. The Japanese government has frequently announced its support of American policy in Vietnam.

There has been, however, a firm and consistent refusal to adopt more positive measures in this regard. Japan has refused to join any regional defense organization. Although a conscientious member of the United Nations, Japan has declined participation in any active peace-keeping role, such as contributing a detachment or even observers to a UN military force. Although permitting the use of Japan for certain procurement and logistic support, the Japanese would not consider sending a contingent to Vietnam, as did the South Koreans. Such a use of national power would be political suicide to the government. The conservative cabinets of the Liberal Democratic Party have maintained their political ascendancy through the 1950s and 1960s on the strength of their remarkable success in running the economy. Although a new generation has grown to manhood since 1945, the Japanese recollection of total war remains strong. Japan is now a well-armed state in terms of conventional non-nuclear weapons, but the distaste for militarism, although ebbing somewhat, may still be deep enough, and the pacifism symbolized by Article 9 still strong enough, to turn the voters against a government that would commit Japan beyond its own shores.

Japan's short-term foreign policy goal is to regain possession of the Kuriles and Okinawa (in the Ryukyu Islands), adjacent islands to the north and south respectively. Both territories were taken over at the end of World War II. The Soviet Union as yet has shown no sign of

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yielding the Kuriles.* In November 1969, however, the United States agreed to restore Okinawa to full Japanese sovereignty before the end of 1972.

Japan's policy towards Communist China has been based on the principle of separation of politics and economics. Under strong American urging, the Yoshida cabinet agreed in 1951 to recognize Taiwan as the legitimate government in China,† and the policy of not recognizing Peking has continued. However, it has always been generally realized by the Japanese that a satisfactory relationship eventually must be established with Communist China. For Japan to be at loggerheads with this huge neighbor was dangerous in the past and could be more perilous in the future. Hence, despite the value they attach to their vital economic ties with the United States, the Japanese have always looked toward strengthening their uncertain commercial ties with Peking. Japanese of all political opinions tend to feel a sense of shame for Japan's past misdeeds in China. The industrialization of China by the Communists was viewed with sympathetic interest because they seemed to be doing at least what the Japanese had done 60 or 70 years earlier.‡

* Prime Minister Sato in the December 1969 election campaign began aiming his rhetorical guns at Russia, demanding the return of the Kuriles. Pravda, on 16 December, spoke of "a dangerous aggravation of tension in the Far East." ("Japan Polls Point to Big Sato Win," San Francisco Examiner, 25 December 1969, p. 43.)

† This would have been Yoshida's bent in any case, as witness later events. The Japanese conservatives always have been deeply split on the China issue, with a minority favoring more conciliatory treatment of Peking. (Nichto Royama, The Asian Balance of Power: A Japanese View, Adelphi Paper No. 42, November 1967, p. 4.)

‡ Prime Minister Sato apparently scored politically during the December 1969 campaign when he announced that the government would "foster contact" at the Ambassadorial level with Peking, thus stealing some of the Socialists' thunder. ("Japan Polls Point to Big Sato Win," San Francisco Examiner, op cit., p. 43.)

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In 1964 the Chinese tested their first atomic bomb. This action by Peking and the later tests had a significant impact on the Japanese attitude toward the People's Republic of China. To a people who had suffered uniquely the horrors of atomic attack, China's nuclear tests came as a shock to many. They had also to recall the revulsion that swept the country in 1954, when Japanese fishermen were drenched by the fallout from America's hydrogen bomb test at Bikini.

An important consequence in Japan of the Chinese tests is the apparent eradication of the sense of guilt for earlier aggression against China. This is evident in the recent drastic shift in public opinion polls toward the "dislike of China" position. The Japanese appreciate more clearly than before how long it will take to reach the desired and, in the long term, inevitable understanding with Peking.

The Japanese ideal is to provide a bridge between Communist China and the United States. Nuclear testing and the excesses of the Cultural Revolution have somewhat lessened their enthusiasm. They have viewed with apprehension the prospect of a possible American withdrawal from Asia, should things go from bad to worse in Vietnam. Many now would like to see the war end on almost any terms in order to preclude direct hostilities between the United States and China.

As a reemerging nation, Japan has moved cautiously, concentrating quietly on the expansion of trade and foregoing for the moment the natural desire to see its growing economic power matched by political influence. Noteworthy success has been achieved by this quiet diplomacy. Japan won a seat in the UN in 1956, and was elected to the UN Security Council in 1958 and in 1965. Mutually satisfactory settlements were negotiated on its complicated reparations problems from 1955 to 1960.*

*The Republic of Korea was the only exception; a settlement was finally made in 1965.

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Japan established diplomatic relations with most of the rest of the world, including the Soviet Union in 1956,^{*} and successfully combined formal recognition of Taiwan in 1952 with a policy of separating trade from politics in dealing with Communist China. Japan has managed to preserve its peace image while maintaining and renewing a military alliance with the United States and beginning a program of rearmament. Foreign trade was adjusted to new and unfamiliar postwar patterns, and the economy was pushed to the level of the world's third-ranking industrial power, giving the Japanese people the closest equivalent to an affluent society in all Asia.[†]

* Diplomatic relations were not established with Communist China, Albania, East Germany, North Korea, and North Vietnam.

† Sebald and Spinks, op cit., p. 88.

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Appendix B

POLITICAL PARTIES AND ISSUES

I Introduction

The major purpose of this appendix is to identify and explain political trends in political party competition relating to party and interest group political activities. The focus is on the present and recent past. Although Japanese politics are bound to change, an analysis of the changes that are underway is likely to provide indicators for the evolving political patterns.

II Trends in Party Configuration: Analysis of the December 1969 Election

The political complexion of the dominant House of Representatives was set for the next few years by the election of 27 December 1969, the 32nd in its history. The issue of the reversion of Okinawa and the question of the reaffirmation of the Security Treaty with the United States dominated the election campaign. The election followed soon after Premier Sato's visit to President Nixon which resulted in the promise to return Okinawa to Japan by the end of 1972.

A. Tactics

The timing of the election was thus very favorable to the LDP in that it was fresh in everyone's mind that the ruling LDP had won a concession from the United States. All the candidates objected to the election being so close to the New Year, but the Premier evidently figured that people would feel good at receiving their year-end bonuses.

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He may also have felt that this date would favor the rural vote, where conservative strength has traditionally been strong, because many city people would be leaving or preparing to leave the city to visit relatives in the country and would not have time to vote.

The ruling Liberal Democratic Party (LDP) was extremely cautious in putting up candidates, so as not to waste votes, endorsing only 328, of whom 200 were incumbents, 14 fewer candidates than in the election of 1967. But the opposition Socialist Party (JSP), too, was very selective, running only 183 on the party ticket. The militant Buddhist Komeito or Clean Government Party (CGP) put up 76; the Democratic Socialists (DSP) ran 68; but the Communists (JCP), using the election mainly to develop its image, was profligate with candidates, putting up 123.

Two new campaign techniques were introduced. The first was that each candidate was for the first time allowed to buy a few minutes of prime time on commercial television channels to make a direct appeal to the voters. Secondly, at least in one case, a public relations firm used all its resources to conduct a "scientific" campaign. This was for Tokusaburo Kosaka, a brother of an ex-Foreign Minister and President of Shinetsu Chemical, who ran in the 3rd district in Tokyo.

B. Issues

1. Domestic

In the campaign, all parties deplored the recent unrest on college campuses and urged the need for reform in higher education in Japan. It was easy for the LDP to blame "extremists," while the Socialists appeared to be the most defensive of the students, putting the entire blame on the government for its heavy-handed intervention which had inflamed students. Interestingly enough, the Communists put some blame on

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radical factions. They, of course, identified the original cause as the antidemocratic educational policies of the government, which, they asserted, made a seed bed for radical violence on campus. But the Communists chided some of the factions of Zengakuren that wanted to destroy the entire educational system and that feared they would otherwise be labeled "reformist." The JCP claimed the extremist tactics of Zengakuren brought on governmental repression, and they called for more sophisticated, legal tactics by students.

There was a surprising lack of sharp cleavage on domestic issues, though differences existed with regard to degree and procedure. All favored more social welfare and tax reduction. Both the LDP and DSP placed great emphasis on measures to reduce air pollution and traffic accidents through city planning. The JSP, CGP, and JCP stressed the importance of controlling inflation and stabilizing consumer prices.

2. Foreign

Foreign policy provided the arena for a clash of views, especially regarding security and defense. The LDP used Okinawa to prove that Japanese-American collaboration was paying off in terms of Japan's interests and thus defended the Security Treaty.

The Socialists viewed the Security Treaty as more likely to lead to war than to protect Japan. They were as enthusiastic about the reversion of Okinawa as the LDP--actually a lot more so, because, being out of power, they did not have to solve the financial and administrative problems of reversion. But they wanted Okinawa returned without any conditions for the maintenance of American military bases, and they demanded that occur immediately. The JSP also continued to seek positive neutrality for Japan and called for the gradual reduction of Japan's Self-Defense Forces.

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The DSP criticized both the LDP and the JSP for being subservient to foreign powers and demanded a "Japanese" foreign policy independent of the United States, on the one hand, and of the Soviet Union and the People's Republic of China (PRC) on the other. This would require, in their view, a gradual reduction of American influence, while building up Japan's own defense capability.

The CGP also called for a termination of the military alliance with the United States, but advocated gradualism in order not to disturb international relations unduly. It maintained that Japan would work for world peace through the United Nations.

Finally, the JCP asserted that Japan should demand withdrawal of all American forces from its territory, according to Article 10 of the Security Treaty. After abrogating the Treaty, Japan should achieve absolute neutrality, seeking friendship with the entire family of nations. On the issue of Okinawa, the Communists took a position similar to that of the Socialists, demanding immediate and unconditional return of the island.

The issues, domestic and foreign, did not deviate significantly from those of recent elections. Even in foreign policy, all parties wanted Okinawa back, but the opposition parties argued that the LDP was deceiving the people when it claimed that bases on Okinawa could be maintained on the same conditions as prevailed for bases on the main islands, because the question of "prior consultation" had not been cleared up and the Americans could bring in nuclear weapons; this would then be a responsibility for Japan and mean that instead of Okinawa becoming like the rest of Japan, the rest of Japan would become like Okinawa--a place where nuclear weapons could be stored and therefore a target in a war. How well the population grasped these distinctions and what it thought of them is hard to tell despite the election outcome.

3. Perception of Issues by Voters and Candidates

According to a recent survey, the Socialist voter is not nearly as interested in foreign policy issues as the Socialist political candidate. (See Table 2.) However, though the candidate suspects as much (or more), he has felt that he must play a teaching role. According to this same survey by Professor Shinohara of Tokyo University, the LDP candidate generally attached the same priority to issues as did the voter. Interestingly enough, the candidate thought the voter was more interested in the problem of agriculture (the price of rice) than he actually was. But this is indicative of the concern of the party for its agrarian support. Strikingly, this survey showed that Okinawa and the Security Treaty were not among the priority issues at all for the conservative voter or politico.

The Democratic Socialists did not do much better than the more leftist JSP in either perceiving what the voter wanted or in having a congruence between their own values and those of their supporters. The Clean Government, or Komeito, people reflected a high correlation of issue priorities accorded by them and their constituents. The Communists, even more than the Socialists, feel they are a vanguard and must lead opinion rather than follow it. According to this survey, while the Communist leaders believed the Okinawa-Security Treaty issue was by far the most important issue, in fact the only issue, they were careful to try to tailor their appeal more to domestic issues, though it turned out that their constituency was the only one that put foreign policy issues first.

Incidentally, neither the candidates nor the electorate placed high emphasis on urban problems, despite the tremendous pace of urbanization in Japan and in view of the importance of the urban vote for each party. One Socialist in a recent article lamented that the JSP

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Table 2

PERCENTAGES OF THE WEIGHT OF ISSUES IN THE 1969 CAMPAIGN AS PERCEIVED BY CANDIDATES, BY THE VOTERS, AND THE WAY CANDIDATES THOUGHT VOTERS PERCEIVED THEM

(Only the top two or three issues.)
(None with less than 10 percent included.)

A. What policies do you think most important? (candidates' answers)		B. What do you think the voters in your district think are the most important issues? (candidates' answers)		C. What do you think is the most important? (voters' answers)	
	A		B		C
LDP					
(1) Price-tax reduction	25.3%	(1) Agriculture	40.4%	(1) Price-tax reduction	37.9%
(2) University-education	25.0	(2) Price-tax reduction	27.6	(2) University-education	13.3
(3) Agriculture	21.2	(3) University-education	15.7	(3) Agriculture	12.6
JSP					
(1) Okinawa-Security Treaty	68.3	(1) Price-tax reduction	53.6	(1) Price-tax reduction	38.7
(2) Price-tax reduction	16.9	(2) Agriculture	27.3	(2) Okinawa-Security Treaty	22.0
CGP					
(1) Price-tax reduction	18.0	(1) Price-tax reduction	61.3	(1) Price-tax reduction	11.7
(2) Social security-Welfare	20.0	(2) Social security-Welfare	24.0	(2) Social security-Welfare	15.7
(3) Okinawa-Security Treaty	16.7	(3) Agriculture	14.7	(3) Okinawa-Security Treaty	11.8
DSP					
(1) Price-tax reduction	37.1	(1) Price-tax reduction	64.3	(1) Price-tax reduction	47.2
(2) Okinawa-Security Treaty	30.0	(2) Agriculture	12.9	(2) Social security-Welfare	13.8
(3) Social security-Welfare	11.4			(3) Okinawa-Security Treaty	13.0
JCP					
(1) Okinawa-Security Treaty	95.9	(1) Price-tax reduction	48.4	(1) Okinawa-Security Treaty	40.9
		(2) Agriculture	18.9	(2) Price-tax reduction	20.5
		(3) Okinawa-Security Treaty	18.0	(3) Housing	11.4

Source: Hamae Shinohara, "Hoshu Antei Kozo no Kyoko Sei" (The Falidity of the Structure of Conservative Stability), Asahi Janaru, XII, 2 (11 January 1970), p. 9.

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had emphasized foreign policy at the expense of some vital urban problems--that was Professor Tamio Kawakami, a loser in the election.

C. Election Results

The results were a clear victory for the LDP with 288 seats, compared to the 279 in the election of January 1967; but twelve independents soon joined the LDP ranks, bringing their representation in the House of Representatives (HR) to 300. The election was a resounding defeat for the JSP, toppling it from 139 to 90 seats. The CCP made an impressive rise from 25 to 47, though three less than they predicted at the last minute, while the DSP added only one seat to its 30. The JCP almost tripled its representation from 5 to 14, finally becoming a force no longer to be ignored.

This, of course, was not an exact reflection of the percentages of the vote, as will be noted below, and the rate of abstention was extremely high for Japan. The number of eligible voters in December 1969 was 69 million, of which some 33 million were male. The total number of votes cast was 47 million, one million more than in 1967 due to population growth. But, in proportion to the total number of those eligible, the turnout was 68.5 percent, the lowest since 1947. Some 22 million eligible voters stayed away from the polls.

As the Premier expected, percentage of voter turnout appeared to vary from highest in most of the rural areas to lowest in the most urban areas. Rural Shimane Prefecture, with 83.31 percent, had the best voting record. The worst was in Yokohama, followed by Osaka and Tokyo.

* Tamio Kawakami, "The Cause of the Socialist Defeat and the Road to Reconstruction" (in Japanese), Ekonomisuto, XLVIII (10 February 1970), pp. 48-53.

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In these metropolitan areas, the percentage did not reach 60. This appears to have hurt the Socialists most.

The election returns surprised almost everyone. The political pundits' "crisis of conservatism" appeared to be knocked into a cocked hat. The number of LDP members elected was the largest since its formation in 1955. The main opposition Socialists, who had been the other party in the two-party period right after 1955, now shrunk into one of the "many" opposition parties, though still by far the largest. The CGP must have eaten heavily into JSP voter support to almost double its representation, as the Communists must also have.

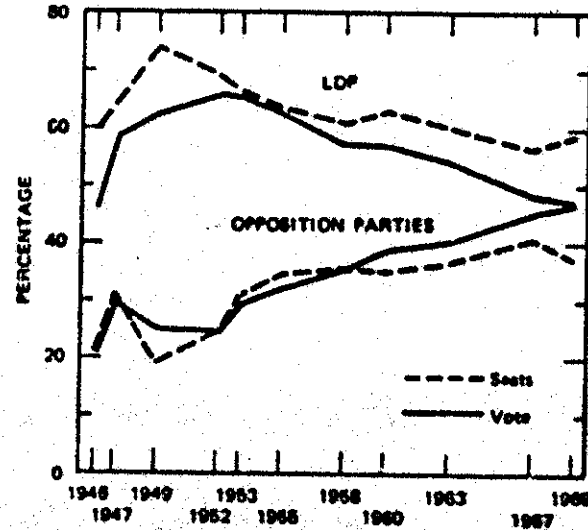
Thus, instead of the predicted trend to a multiparty system, it has remained a one-dominant-party system but with a multiparty opposition.

B. Voting Behavior

Yet a closer look at the voting behavior behind these results indicates that LDP dominance may not be that great in the future, and a multiparty situation may be in the cards. First of all, the LDP's percentage of the popular vote was only 47.63, which is 1.17 percent lower than in the previous election and the lowest since the party's formation in 1955. If the percentages of all the opposition parties are combined, the sum is 46.8, meaning the LDP was ahead by less than 1 percent, but this leaves out the 5.3 percent of the vote that went to "independents"--most of whom were really conservatives or became LDP members after the election. Still the gap between the ruling party and its opposition is closing (see Figure 3).

A comparatively small shift in votes could mean the loss of a parliamentary majority and the possibility of a coalition. On the loser

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SOURCE: *Sankai Shinbun*, December 30, 1960, p. 8.

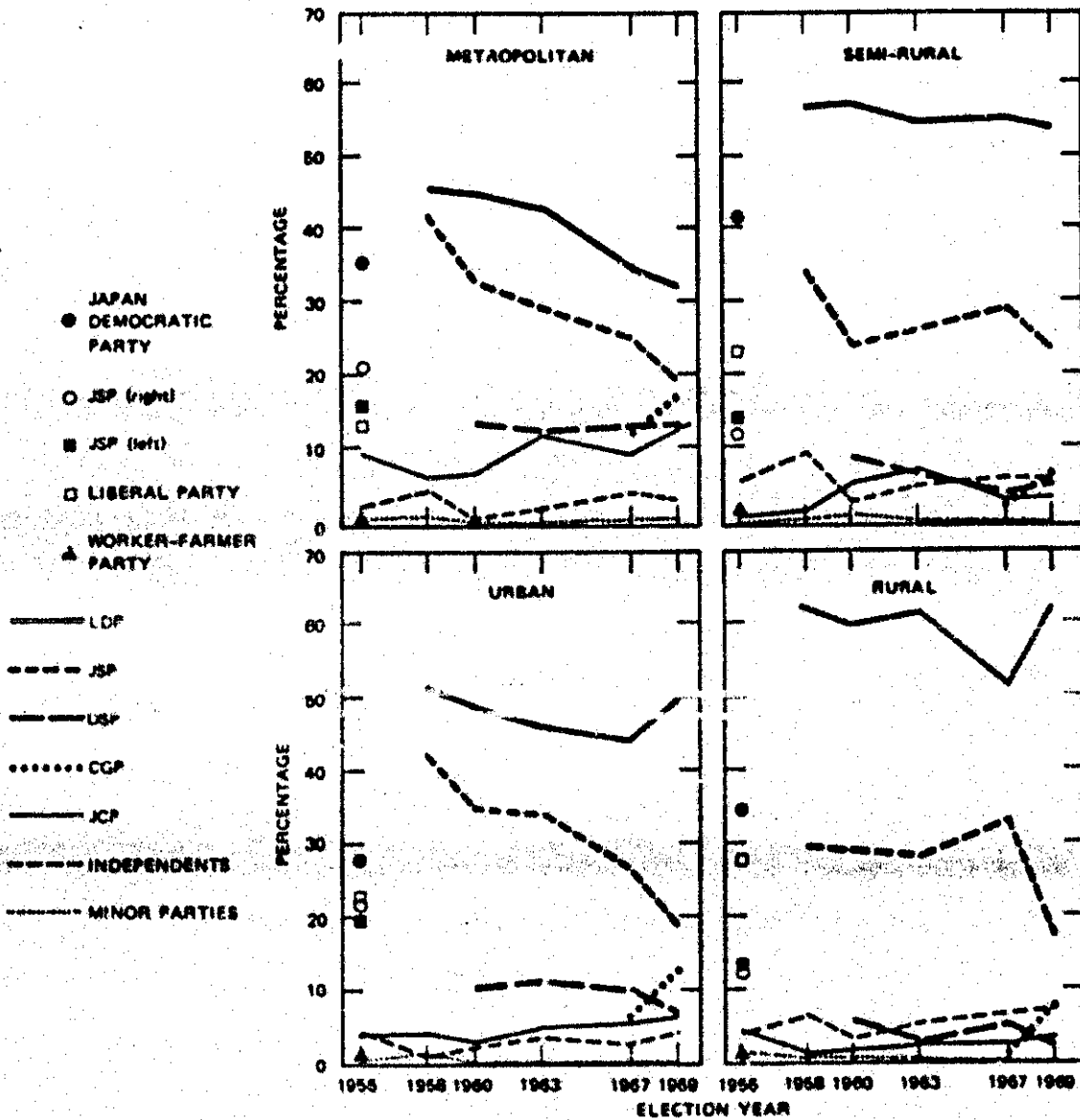
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FIGURE 3 GENERAL ELECTIONS (MAY 1946 DECEMBER 1960). Comparison of percentages of votes and seats as between the Liberal Democratic Party (and its forerunners) and the opposition parties.

levels, election alliances are frequently made between the LDP and DSP and/or CGP, but all lower level assemblies are of the "presidential" type, with popular election for the chief executive, so there is no need for a "coalition government."

Where do the present strengths lie for each of the parties? Some insight into this can be gained by noting the relative votes for the various parties in a breakdown of constituencies with respect to the numbers of the population engaged in primary industry. The 123 election districts can be divided into four categories: 23 can be labeled metropolitan; 18 urban; 60 semiurban; and 17 rural. See Figure 4.

* For methodology, see Hajime Shinohara, "Ryudo no naka no Tetsui" (Transition in Tranquility), *Asahi Janaru*, X (21 July 1968), p. 9.



SOURCE: Hajime Shinohara, "The Structural Follacy in Conservative Politics," *Asahi Journal*, XII (January 11, 1970), 6-7.

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FIGURE 4 GENERAL ELECTIONS. The percentage of votes cast in four different types of constituencies (1955-1969)

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In the metropolitan areas, a declining trend for both the LDP and the JSP can be noted since 1958. The Socialist decline has been from above 40 percent to below 20 percent. The Communists have been rising rather steadily, the DSP has been stagnant, while the CGP shows quick and sudden growth.

In the urban areas the parallel LDP-JSP decline separated in the 1969 election, when the conservatives seem to have succeeded in stopping a further deterioration of support, while the JSP slipped. The DSP went down slightly, while the JCP and CGP did about the same as in the metropolitan areas.

A dividing line is evident in the semirural areas. Here the LDP has regularly been getting 55 percent of the total vote. The JSP is far behind here, although it made slight headway until this last election. But each of the other opposition parties have been held to less than 10 percent of the vote in these constituencies.

Finally, in the very rural areas, interestingly enough, the LDP had been losing support until this last election, whereas the JSP had done as well here (about 30 percent of the vote) as in the semirural areas. However, the 1969 election showed a sharp decline for the Socialists to the benefit of the LDP and the CGP. The DSP and JCP seemingly were unable to penetrate this bastion of conservatism.

Several conclusions can be drawn from combining these four sets of data. The main sources of conservative power have been the semirural and rural constituencies. LDP support has been declining primarily in metropolitan areas, and overall has diminished somewhat in the urban areas. In the background is the gradual shift of population from the rural to urban/metropolitan areas; urbanization and migration would, therefore, seem to have a dampening effect on the future of the LDP. Thus, the total opposition vote may overtake the LDP before 1980.

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This does not mean, however, that power would shift to the second largest party, the JSP, even if combined with the DSP. As a matter of fact, the reduction of urban support for these parties is very significant. Unless the Socialists come up with some effective strategies, the CGP may well take over second place in the metropolitan areas. And it seems that the JCP may outstrip the DSP in the urban constituencies. These two minor parties may be feeding on the domestic economic problems of Japan, though their successful organizational tactics are of foremost importance to their growth.

E. Advantages for the LDP in the Electoral System

In assessing Japanese politics during the next decade, it is essential to take into account a "built-in" factor favoring conservatism, i.e., the electoral system, which is weighted heavily in favor of rural Japan. There are 77 election districts out of 123 (more than 62 percent) that are rural or semirural, and these are being increasingly overrepresented. If this distorting factor had not existed, the LDP would only have gotten 232 seats in the Diet instead of 288, which would be less than half. In the third urban district of Osaka, a candidate garnered 120,000 votes and lost the election; whereas another in the second rural district of Chiba was elected with 32,000 votes. This imbalance has served the conservatives well because, traditionally and by its very nature, the system favors the obedient, deferent, and conservative rural folk.

The present electoral system has now been under fire for a long time, but it is unlikely that the LDP government would initiate any major reforms in this area as long as it holds power and reaps the benefits.*

* See Robert Ward, "Recent Electoral Development in Japan," Asian Survey, XI (October 1968), pp. 547-557.

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It could make further concessions as in 1967, when the number of HR seats was increased, but it is doubtful they would be sufficient to offset the growing urban dissatisfaction with the electoral system.

III Trends in Party Organization

A. Elements of Organization

Essential elements in Japanese elections are said to be the kaban (the "bag" of money), the kamban ("sign board" of popularity), and the jiban (the political "territory"). The Japanese "unwritten election code" stipulates that each successful candidate must secure these indispensable "ban." What kind of means has each party employed and how has it resolved these imperatives?

Concomitant with the shift to "my-homeism" has been an erosion of the traditional political territory for each party. Workers, for instance, no longer automatically cast their votes for the Socialists by virtue of being members of labor unions. Farmers do not vote for the Liberal Democrat merely because he is the local notable. Rural Japanese do not continue to support the conservative party because of concrete payoffs. The young and the new middle class Japanese are no longer necessarily identified with the progressive cause. They have become more politically and economically conscious and tend to assess candidates in relation to their private interests.* In fact, the recent elections have made it succinctly clear that there has been a drift away not only

* Joji Watanuki, Gendai Seiji to Shakai Hendo (Contemporary Politics and Social Change), Tokyo: Tokyo Daigaku Shuppankai, 1967, pp. 65-82.

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from conservatism among the rural people but also from radicalism among the urban Japanese voters.*

One of the major reasons for the high rate of voter abstention in the last election seems to have stemmed from a knowledgeable cynicism rather than political ignorance. Many considered that none of the parties could represent their opinions and interests. Instead of any political participation, they chose not to vote as their expression of protest against the political system.† Under these circumstances, how are various parties dealing with deterioration and disintegration of their own jiban?

B. The Komeito or CGF

The Komeito, or Clean Government Party, was founded in 1963 after several successful local and national elections. Though it is theoretically independent, it is in fact the political arm of the Value Creation Society, or the Soka Gakkai. The Komeito has been solely dependent upon the Soka Gakkai for electoral and financial support. In 1955, the Gakkai had a membership of 300,000 households. By 1969, the number jumped to 6,800,000, or about 10,000,000 individuals. Such a phenomenal growth is reflected in the expansion of the Komeito.*

* See Tan Horie, "Social Change and Elections" (in Japanese) in Nihon no Senkyo Kozo (Japanese Electoral System), ed. by Kikuo Nakamura, Tokyo: Hara Shobo, 1968, pp. 127-138.

† See "The Upsurge of Conscious 'Non-Political' Groups" (in Japanese), Yoruri Shimbun (27 November 1969), p. 4.

* Hirotatsu Fujiwara, Soka Gakkai o Kiru (Kill the Soka Gakkai), Tokyo: Nittsushin Hodo, 1970, p. 17.

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A number of studies have been made to attempt to find out what kind of people the Soka Gakkai attracts as members. Suffice it to say that the membership is largely composed of migrants to urban areas and those who belong to the lower middle or the lower classes. Many have somehow been left out of a share in the new prosperity; they are not only insecure in the new environment but also discontent at discovering they are only "second class" citizens. With its unique doctrine and teaching, the Soka Gakkai has helped such people dispel their confusion and despair.*

One of the means employed for this task is the very elaborate vertically and horizontally integrated organization. At the bottom of the Soka Gakkai structure is a small study group called the Kumi, which comprises 5 or 10 households. These families, about half of which would be members of the Gakkai, discuss their family tragedies and sufferings. In the process, the participants correlate their complaints with defects of the present socioeconomic system and with the Soka Gakkai's way of resolving them. The Kumi thus provides the basic psychological support sought by these urban migrants.†

Fifteen to thirty Kumi comprise the Chiku, embracing 150 to 300 families. At the top of these Chiku is the Shibu, or the prefectural headquarters, which is finally incorporated into the General Office or the Sogo Hombu. Aside from this vertical chain of command, the Soka Gakkai is horizontally integrated. Each layer of the hierarchy is called a Burokku (bloc). There are five blocs corresponding to the five vertical

* The most recent empirical study was conducted by James Allen Dator, "The Sōka Gakkai as a Modern Social Protest Movement," paper presented at the Association for Asian Studies, San Francisco, California, 3 April 1970, pp. 1-28.

† Ibid., p. 5. See also Fujiwara, op cit., p. 48.

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functional organizations. At the lowest level of the blocs, the chiefs of the Kumi will get together and consider methods of recruitment and religious education. In a similar fashion, the heads of the Shibu will hold meetings to enhance the Soka Gakkai's control of all its members.*

The Komeito and the Soka Gakkai have thus resolved the erosion of their jiban through well-developed organizations. These structures have also resolved the problems of the kaban (money) and the kamaban to a remarkable degree. The CGP receives the bulk of its campaign funds from subscriptions to its daily newspaper. In 1967, for instance, the party reported a revenue of 10 billion yen, of which 9.6 billion was from subscriptions of the Komei Shinbun. Such a fantastic amount of income would not have been possible without the elaborate organization of the Soka Gakkai to mobilize demand for the paper.†

The Soka Gakkai does face some difficulty in boosting its kamaban, or popularity among the general voters. At election times, members are told that they must vote for CGP candidates, because these politicians will be the only ones who care about the neglected elements of the population. This political propaganda is carried out through small study groups and newspapers with the aura of religious devotion. Effectiveness has been enhanced by the use of language easy to understand and close to the common people.*

The Soka Gakkai through its CGP has helped expand the scope of political participation. The CGP has been able to represent a segment

*Fujiwara, op cit., pp. 40-49.

†Asahi Shinbun, Seiji Bu, Seito to Habatsu (Political Parties and Factionalism), Tokyo: Asahi Shinbun Sha, 1969, pp. 167-175.

*James Allen Dator, op cit., pp. 7-8.

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of the population that had been ignored by both the Liberal Democratic and the Socialist parties. But this success has been accompanied by some dysfunctional factors.* In other words, the past success in elections and recruitment have given a "sacrosanct" character to the Soka Gakkai. Anybody who dares to criticize it must be unmercifully castigated. A recent incident involving Professor Hirotatsu Fujiwara is a case in point.† Also, it appears that there has been a growing gap between the leaders and followers of the Soka Gakkai. The majority of the members are rather unsophisticated and easily manipulated by the leaders. The top hierarchy has recently been trying to establish a personality cult for President Taisaku Ikeda.‡ Although the Komeito has been separated organizationally from the Soka Gakkai, this charismatically-led mass organization without any specific political ideology may infuse the Japanese political system with a degree of irrationality, which would adversely affect the democratization process if present trends continue.

*The idea that the growth of the Soka Gakkai might be detrimental to Japanese politics is argued by James W. White, "Mass Movement and Democracy: Sōka Gakkai in Japanese Politics," American Political Science Review, LXI (September 1967), pp. 744-750.

†The incident involved an ex-Professor of Meiji University, Hirotatsu Fujiwara, and several top members of the Komeito. Fujiwara claimed that people from the Komeito had exerted strong pressure to prevent him from publishing his book critical of the Soka Gakkai. The CGP first denied that charge. But when Fujiwara produced conclusive evidence, the scandal became a national issue of free speech. See Hirotatsu Fujiwara, "How I Have Fought Back Against the Sōka Gakkai" (in Japanese), Bungei Shunjū, XLVIII (March 1970), pp. 94-108. A chronology of the events is best surveyed by Shin Aochi, "The Communist Party and the Problem of Free Speech," Chūō Kōron (May 1970), pp. 172-182.

‡This was, in fact, one of the charges brought up by Fujiwara in Sōka Gakkai o Kiru, op cit., pp. 49-71.

C. The JCP

The Communist Party apparently has also made successful use of the ban through a tightly knit organization. The party currently holds 14 seats in the Lower House and 7 seats in the Upper House. Though it has not been able to recapture the strength it had during its heyday of 1949, Communist power has recently been rising steadily. In terms of the percentage of votes cast, it received 3 percent in 1969, which was five times as much as it garnered in 1960. Its main expansion of support has occurred in the urban and metropolitan areas. In view of the trend toward greater urbanization, it would seem that the opportunity for the Communist Party to grow in numerical strength in the Diet will increase in the future.

Probably recent Communist growth is mainly the result of party organizational efforts, which have been impressive. The party now has a membership of 300,000, which is double the number of 1965. In addition, the party controls one of the major student groups, the Minsei, which involves 96 colleges and 965 high schools. It is alleged that the party can mobilize 60,000 students in a day. During the height of the student riots, the Minsei group was faithful to the directives from the party. It was committed to nonviolence and the resumption of classes.

The iron control by the leadership and the cohesion within the Communist Party were revealed in the above example. The Party Secretariat is headed by Kenji Miyamoto. It makes the daily decisions and issues party directives. The Central Committee of the party, which is the other top decision-making organ, is still chaired by aging Sanzo Nosaka. The

* Asahi Nenkan: Betsusutsu Shiryōshū, Tokyo: Asahi Shimbun Sha, 1970, p. 5.

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Committee has 11 full and 8 alternate members. Miyamoto has led the party since 1958. Caught in the Sino-Soviet rift, the Miyamoto line has taken a zig-zag course. In the Tenth Party Congress of 1966, the party finally decided to stay neutral and expelled both the pro-China and pro-Soviet factions. Since then, the Communists have been active in creating a new party image. The chief engineer for this drive is Koichi Ueda. In the recent college disturbances and the Komeito scandal, Ueda, the editor-in-chief of the Zenri (Vanguard), was credited with upgrading the party image.

With regard to political funds, the JCP, like the CGP, draws its major income from subscriptions, especially the daily and Sunday editions of the Akahata (Red Flag). Compared to the ten billion yen revenue of the Komeito in 1967, the Communist Party had twice the revenue, 20.3 billion yen. Eighteen billion was from 400,000 daily and 450,000 Sunday copies of the party newspaper. In fact, the Communist Party is the second wealthiest party, as a party, in Japanese politics.

In summation, both the Komeito and the Communist parties are similar in terms of fund raising and support mobilization. Since these parties are urban-oriented, they may well continue to draw adherents from those dissatisfied with problems created by rapid socioeconomic transformation. However, the degree of their success will depend upon their ability to broaden their appeal. Both parties have a sectarian tenor, which has helped maintain their group cohesion. This they would have to change or modify if they are serious about luring enough support to capture power by constitutional means. At the same time, once the parties

^{*} Ibid., pp. 282-283. See also Junnosuke Masumi, Nihon no Seiji (Japanese Politics), Tokyo: Chuo Shuppan Sha, 1970, pp. 36-37.

^{*} Asahi Shimbun, Seiji Bu, Seitai to Habatsu, op cit., pp. 171-173.

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widen their membership they will encounter increased difficulty in maintaining their present degree of internal control. To a large extent, the way in which the CGP and the JCP resolve this dilemma will determine their degrees of success in the next decade.

D. The LDP

In contrast to the aforementioned two parties, the Liberal Democratic, the Socialist, and the Democratic Socialist parties have two characteristics in common. First, none of these parties have really well articulated or rationalized party structures. Secondly, these parties do not depend on membership subscriptions to party organs as their major sources of revenue, but upon political contributions.

The Liberal Democratic Party had a registered membership of 197,000 in 1966 and 124,000 in 1967. In 1969, the number dropped to 36,000 people. This sharp decrease points out an important aspect of the Conservative Party. The reduction of the "card-carrying" members was not due to the mass desertion, but to the inefficiency of the party administration. The Liberal Democrats do not know how many people are partisan adherents to their party.

Since 1963, the Liberal Democratic Party has paid increasing attention to organization, although this has been sporadic. Under organization committee chairman Kiyooki Mori, it has established prefectural and local chapters throughout Japan. It has been active in trying

Ibid., p. 206. While the party administration may become more effective in obtaining accurate figures, Asahi reporters point out that in the past the Liberal Democratic representative to party conferences often registered and paid annual fees for people from their constituencies without any prior consent. This "ghost" membership contributed to the inflation of the members. See Ibid., p. 207.

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to attract women, youth, and workers and managers of small industry. For instance, the party established a Central Academy of Politics, which was to interest and recruit young men. After completing training there, they would become local party activists for the conservative cause.^{*} However, in spite of these efforts, the Liberal Democratic Party remains a body that has a head but no feet. It is essentially a parliamentary party with a cluster of members of the House of Representatives and Councillars.[†]

1. LEP Factions

From these facts, it becomes clear that the Liberal Democratic Party is quite different from the Komeito and the Communist Parties. It does not possess a comparable party organization. If this is so, how has the party been able to maintain its grip on power in Japanese politics? The answer to this question lies in a peculiar political culture in Japan's conservative politics, i.e., factionalism.

Many empirical studies have already been done on factionalism in Japanese politics. Some scholars argue that it stems from the medium-sized electoral district system, wherein the candidates from the same party must compete with each other more than with those from other parties. Others claim that the party presidential election is the major cause. Still others, such as Junnosuke Masumi, believe that the cause can be found in the nature of prefectural and local politics.[‡]

* Jiyū Minshutō, Jiyū Minshutō no Jūnen (The Liberal Democratic Party in the Last Ten Years), Tokyo: Jiyū Minshutō, 1966, pp. 213-225.

† Nathaniel B. Thayer, How the Conservatives Rule Japan, New Jersey: Princeton University Press, 1969, p. 83.

‡ Junnosuke Masumi, "A Profile of the Japanese Conservative Party," Asian Survey, III (August 1963), pp. 390-401.

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In general, these studies show that Japanese conservative politics do take place in the context of the factional balance of power. This feature goes a long way to explain the intricate nature of the Liberal Democratic Party, because it has produced a unique way of resolving problems presented by the three ban.

Factionalism is perpetuated by the Koenkai system. That is, upon deciding to run for office, a candidate, with the aid of his supporters, will organize a Koenkai, or fan club, in his district. The members of such an association are recruited mainly through relatives, friends, and business connections. It is usually headed by a local politician. And if the candidate is elected, the supporters' association will thrive. It will become an effective agent in articulating local needs and demands. If a local politician needs money to improve school facilities, for instance, chances are that he will not go to a government agent, but to the supporters' association of a member of the House of Representatives. As long as the local politician appears to be a good potential supporter, the Dietman will go to great lengths to influence the agent in charge of whatever matter the politician and his clients want. By cutting red tape, the Diet member gets the school subsidy much sooner than the regular bureaucrats would. The Koenkai is ultimately linked with one of the factional bosses in Tokyo.

There are eight major factions in the conservative party. As a result of the recent election, the Sato faction has 59, the Mase 43, the Niki 39, the Iwakura 31, the Nakasone 35, the Kawashima 20, the

* Junnosuke Masumi, "Political Structure in Contemporary Japan," in Gendai Nihon no Seiji (Contemporary Politics in Japan), ed. by Masamichi Inoki and Masahiko Kamikawa, Tokyo: Iwanami Shoten, 1969, pp. 224-230.

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Ishii 13, and the Funada 12 members.* These factions have their own offices and fund-raising organizations which are independent from the formal party structure. The Sato faction, for instance, has four such fund raising organizations from which it collected four billion yen in 1967 alone. The major portion of such contributions comes from the world of industry and finance.†

Sato will distribute the huge sums of money in his hands to his followers in the form of "research funds" or "organization funds." These handouts from the boss are, in effect, used by Sato supporters to entrench themselves in their political territories and to strengthen their popularity throughout their constituencies. The members of the Koenkai will be invited to a dinner and get red-carpet treatment by the politicians. Since the cost of such activities is tremendous, the politicians tend to cluster around those bosses who can provide them funds. As a quid pro quo, the followers will support their boss for his bid for the presidential post in the conservative party.

2. Rivalries in LDP Leadership

In recent years, there has been a good deal of concern about what the post-Sato period will be like. Rumor has it that Takeo Fukuda, the Finance Minister, will succeed Premier Sato. Though his faction is fourth in numerical strength, Fukuda seems to have a better

* Yomiuri Shinbun, 29 December 1969, p. 5.

† Asahi Shinbun, Seiji no, Seitō to Habatsu, op cit., pp. 179-183. This fund-raising activity is informal and separate from the official party fund-raising organization, the Kokumin Kyōkai. (See Warren Taunoishi, Japanese Political Style, New York and London: Harper and Row, 1966, pp. 137-147.)

‡ Masumi, "Political Structure in Contemporary Japan," op cit., pp. 225-226.

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chance of becoming the leader of the Liberal Democratic Party than Tanaka or Miki. His faction also includes such important figures as Kishi and Kuraishi. However, one of the obstacles on his way to the Presidency of the Party and ipso facto the Premiership is the fact that he has been regarded as a member of the "old guard" or "reactionary." It would be hard for Fukuda to change his image overnight, although he probably would like to. But as long as he is considered a bulwark of conservatism, he may not be able to mobilize enough supporters to be successful in the presidential election of the Liberal Democratic Party.*

An important rival to Fukuda is Kakuei Tanaka, a member of the Sato faction. Until recently, Tanaka has tried to work out some kind of a coalition with the Maeo faction. He thought that this might be able to overwhelm the Fukuda group. But Tanaka became deeply implicated in the Komeito scandal mentioned earlier and impaired his image in and out of the party. Though the Tanaka group accused the Fukuda faction of making a "scandal" out of nothing, Tanaka's career has been adversely affected.†

Another faction to be closely watched during the Seventies is that of Nakasone. This was a splinter group from the Kono faction. When Kono died in 1963, it started as an independent group with 26 members. Most of the members of this faction are young and liberal in the LDP context. Because of its good group solidarity, the latest election brought it an additional eight members and made it one of the major factions in the LDP. Since Yasuhiro Nakasone has the image of being dynamic and

* "Speculations on the Post-Sato Period," Asahi Jōnaru, XII, 18 January 1970, pp. 108-111.

† Ibid., pp. 110-111. See also "Focusing on Post-Sato," Asahi Jōnaru, XII, 4 January 1970, pp. 120-122.

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flexible, especially among the young voters, he may be able to surpass both Fukuda and Tanaka in the presidential race when Sato steps down. But this would depend in part upon the inability of the right wing factions of the party to cope with various problems resulting from socio-economic developments. If such a situation arises, the party-convention delegates might turn to the leadership of Nakasone.

In summation, the Liberal Democratic Party has a unique mechanism to deal with the questions of money, popularity, and constituency. The labyrinth of factional relationships in Tokyo and in the Koenkai at the local level has functioned as channels for funds and control. Despite criticisms and attempts at reform, the conservative party has retained this setup. In the years ahead, there will be attempts to modernize the party, but it seems unlikely that the LDP will undertake major party reforms adverse to its power status. Other factors, such as deterioration of conservatism in rural Japan, might provide a rallying point from which party renovation might be initiated.

E. The Socialist Parties

From their inception, both the Socialist and the Democratic Socialist parties have had "the reversed-pyramid" party structures. The membership of the Socialist Party has dropped to 34,000, while that of the Democratic Socialists is said to be about 50,000.* How different these figures are from electoral support! These parties also have the

* These latest figures are reported by Toshikatsu Horii in his debate with Minoru Takita. If they are correct, the membership of the Socialist Party has declined quite drastically. See Horii's and Takita's "Social Reformation or Working Within the System," Bungei Shunju, XLVIII, May 1970, p. 154.

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smallest financial resources. The JSP in 1967 could collect only three billion yen and the DSP only 1.2 billion, in contrast to 48 billion yen for the LDP and 20 billion yen for the JCP.*

Having had neither good party organization nor money-making publication, some wonder how the Socialist and the Democratic Socialist Parties could get the total of 13.6 million votes in the last election. The answer lies in their close affiliation with labor federations. The JSP derives its entire electoral and financial power from the support of the Sohyo (General Council of Trade Unions of Japan). It is the largest and strongest union federation, including more than 40 industrial groups. Most of the 4.2 million members of this labor organization have supported the Socialists at election time. The Democratic Socialist Party to a large degree is the political arm of the 2 million members of the Domei, the rival to Sohyo. It provided all of the political funds for the DSP in 1967.†

1. Rivalries in Socialist Leadership

In past elections, such a complete dependence upon labor unions has paid off well for both the JSP and the DSP. This solved their problems of money and support mobilization. The support of labor, however, has its disadvantages, too. First, being financially dependent, a party is vulnerable to union demands. It cannot take any positive action without first consulting union leaders. Second, reinforcing this vulnerability is party structure. In the Socialist Party, for instance,

* Asahi Nenkan, Seiji Bu, Seito to Habatsu, op cit., pp. 173-174.

† Asahi Nenkan: Betsusatsu Shiryōshū, op cit., p. 467.

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the annual convention is the most important event; it is the local labor activists, rather than the parliamentary representatives, who now take the leading role. The local activists often determine the platform and other policies of the party, regardless of the national political climate.*

Under these conditions, party affairs are dominated by, and reflective of, not the voices of the working class as such, but rather the opinions of a small segment of labor activists. The major crisis facing the Socialist Party is that these activists may no longer represent the rank-and-file members. Formerly, when the Japanese economy was in a period of reconstruction, militancy and a Marxist outlook had strong appeal in labor unions. But now that even a factory worker can afford a car, such doctrinaire views of Japan tend to alienate the workers whom their activists leaders are supposed to represent. In this regard, statistics speak for themselves. Seven years ago (1963), there were only one and a half million laborers who did not belong to either the Sohyo or the Domel. In 1970, the number rose to more than 3.7 million. This suggests a growing disenchantment with the major labor unions on the part of the workers, and a decrease in labor's power to marshal Socialist votes.† Another factor, of course, is the relative absence of conflict between labor and management, which handicaps the efforts of union organizers.

* This phenomenon is often described as the Socialists' "leftist spring" (or sayoku bane). Whenever the party leaders lean to the right, this spring, which is made up of the party activists, will function in such a way that the Socialist pendulum must swing back to the left. See in this regard, Masumi, "Political Structure in Contemporary Japan," op cit., p. 77.

† Horii and Takita, op cit., pp. 153-154.

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2. Gap Between Leadership and Support

The growing ideological gap between the leaders and the followers in the union movement appears to have contributed, more than anything else, to the downfall of the Socialist Party. It is also conducive to the standstill of the Democratic Socialist Party. Some members of the JSP, such as Saburo Eda, are well aware of this crisis.

In the convention held in February 1970, Eda proposed a new reform program. It spelled out the importance of daily activities and a redefinition of the raison d'être of the party.^{*} This Eda plan, however, had to face strong criticism from the local activists, spearheaded by Kozo Sasaki. They claimed first that "the Eda vision" was plagiarized from an article written by Professor Noboru Sato of Gifu University.[†] Second, the Sasaki group labeled the Eda plan as a "revisionist" approach to genuine socialism. In its point of view, the Eda plan only undermines the power of the party at the expense of the entrenchment of the conservatives.[‡] Though the Eda faction had roughly the same number of parliamentary seats as the Sasaki faction, the latter had many more local party delegates at the convention. As a consequence,

^{*} Mainichi Shimbun, 25 February 1970, pp. 1, 2. "The new Eda vision" is quite akin to his "structural reform" proposed in late 1960.

[†] The charge of plagiarism was brought up by Professor Sakiska. He denounced the new platform by arguing that a part of it which was written by Masamichi Kijima was copied from the thesis of Professor Noboru Sato. The party executive committee, which was dominated by the Eda faction, later admitted the error and placed Kijima on probation.

[‡] "Mudslinging in the Socialist Party," Asahi Janaru, XII, 22 February 1970, pp. 4-6.

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a compromise had to be worked out, resulting in a "new" plan. It was inadequate to move the party in any direction.*

An interesting survey was conducted by a Socialist, Ryuichi Ohama, on the gap between the party members and the electorate. He was interested in the opinions of Tokyo residents with respect to his party. Of a sample of 2114 respondents, he found that more than 96 percent of them were dissatisfied with the JSP. Among the various reasons given, factionalism and dependence upon labor unions headed the list. This survey also pointed out that the Socialists had been trailing behind the CGP and the JCP in public relations. As many as 74.8 percent answered that they learned of party affairs only through the major daily newspaper or television, rather than through party publications. Only 8.3 percent were familiar with party developments by reading party literature and only 5.3 percent by talking with party workers.

Ohama remarks that the party has been out of touch with the people at the grass roots level. He emphasizes the need for day-to-day activities that would distinguish his party from others in terms of a dynamic platform and party thesis. In carrying out his survey research, he had an interesting conversation with a small shop owner, who described the problem of the Socialist Party quite well:

... in the Socialist Party, there are many so-called labor aristocrats. Since they are the workers in public or big private enterprises, they enjoy security and other benefits, which are not accorded to those who are at the bottom of

* Many claim that the Socialist Party has become so conservative that it has lost its function in Japanese progressive politics. See "What is Progressive?" Asahi Janaru, XII, 22 February 1970, p. 3.

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Japanese society. If the party keeps ignoring the interest of these latter people, it will not be too long before the Komeito will surpass the Socialist Party.*

F. Summary of Factors Affecting Party Organizational Capabilities

It appears that an important reason for the successes of the Komeito and the Communist parties is their organization. In these parties, the financial and the territorial problems have been resolved through party publications and mass memberships. With respect to the popularity question, both face strong cultural barriers, but within a subculture they have made headway. Both parties are likely to make additional gains in subsequent elections, primarily in urban and metropolitan areas, but hardly on a scale to pose a substantial threat to the LDP in the 1970s.

The three other parties did not have comparable party structures. Yet the Liberal Democratic Party has developed an effective institution, the Koenkai, through which both the kaban and the jiban problems are met. The kaban, or the money problem, is also taken care of by this system, because each Koenkai is allied with one of the factional bosses in Tokyo, whose power in the party rests on the number of followers. The leader will provide and distribute money in such a way as to maximize his chances of getting elected as the party president.

Regarding the Socialist and the Democratic Socialist parties, neither of them has an effective mechanism to meet the three organizational imperatives in Japanese politics. As a matter of fact, the two major labor federations that have provided the real source of power for

* ibid., p. 48.

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these two parties are having trouble in recruiting new members. This failure points to a very crucial factor. That is to say, it seems possible to argue that both the Socialist and the Democratic Socialist parties have come to form their own subpolitical cultures. In spite of economic growth and a new nationalism, they tend to view Japan only through their ideological spectacles. They do not like to see things incompatible with their preconceived notions. As a result, many "pragmatic" workers are veering away from the support of the JSP and DSP. Given the leadership orientation, support base, and ideology, it may be neither possible nor desirable for the Socialists to adopt the LDP style of Koenkai organization to any large degree. The Socialists will have to decide whether they should be mainly an extraparliamentary organization and follow the local labor activists or whether they should be led by parliamentarians.

IV Analysis of Party Trends

A. Voting

Japanese politics during the Seventies will no doubt follow, with minor modifications, the trends already identified. At present it looks as though the Clean Government Party (Komeito) and the Japan Communist Party will continue to grow and narrow the gap between the conservative and the opposition parties still farther insofar as the number of votes are concerned. In the next three elections (probably no more than four will be held in the 1970s), the present 1.5 percent difference may well disappear. This could result in the LDP losing a clear majority of the seats in the Diet.

When and if this comes about, the Liberal Democratic Party will find it extremely difficult to withstand demands for electoral reforms to correct imbalances in the weight accorded rural over urban

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votes. Adoption of such reforms would cost it advantages it now enjoys over the other parties. As time goes on, the need to develop a firmer base in urban areas (areas from which the CGP draws its main strength) will become more acute for the LDP. It may well be, however, that the last election placed the CGP near the limits of its growth. Its image of aggressiveness and intolerance has recently been revived by the Fujiwara scandal described earlier; this, after a vigorous effort at building a reputation for integrity.

B. Political Culture

Another determinant is the changing pattern of political culture. As a result of economic accomplishments, the Japanese are likely to become more nationalistic and demand more autonomous and dynamic policies at home and abroad than at any time since World War II. If this be the case, the LDP will be in an advantageous position. It is endowed with the power to implement and formulate various programs in accord with public opinion, and it can also mightily influence such opinion. The conservatives are the ones who have had a near monopoly of experience in the art of governing. Whenever a critical issue boils up, they will amend their previous stand and incorporate changes to offset counter positions taken by the opposition. As in the case of Okinawa, such skillful adaptability will undermine the power of their contenders.

In addition to these internal forces, Japanese political culture will be influenced by external inputs. Any drastic change of the balance of power in Asia, for example, would induce repercussions in the political arena in Japan. Actions by the People's Republic of China could widely be interpreted in Japan as a palpable threat to its interests or security. Already a correlation between its actions and Japanese nationalism are evident. Any high-handed approach on the part of the

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Chinese leaders would be detrimental to the tenuously amicable relationship accorded by historical cultural ties between Japan and China. A Chinese posture adverse to Japan could serve to entrench the position of the "old right" in the Liberal Democratic Party.* It might also intensify ideological polemics between the pro-Chinese Sasaki faction and the anti-Chinese Eda group in the Socialist Party. If this were to happen, the conservatives, along with other "nationalistic" parties such as the Komeito, would find added opportunities to stir up public opinion to their advantage in elections.

However, a hostile attitude of serious portent on the part of the Chinese probably is remote. In a recent content analysis of the Peking Review, Shibata reports that the Chinese political pendulum is swinging once again to the right. Since January of this year (1970), he has noticed that a new coalition of Lin Biao and Chou En-lai is in the making. This unified force of the administrative and the military factions will probably downgrade the ideological emphasis of the recent Cultural Revolution and promote a new pragmatic course of action toward Japan.† Such a change in Chinese policy would perhaps contribute to a better image of China in Japanese public opinion, enhance the possibilities for meaningful diplomacy between the two neighboring countries, and also dampen divisiveness in Japanese domestic politics.

*The description of the old right faction of the LDP is found in Yomiuri Shimbun, 22 July 1968, p. 3; Frank Langdon, "Japanese Liberal Democratic Factional Discord on China Policy," Pacific Affairs, XLI, February 1968, pp. 403-415; and Masumi, Seiji Taisei, pp. 290-292.

†Minoru Shibata, "Chinese Preparations for the Post-Mao Period," Bungei Shunju, XLVIII, May 1970, pp. 116-126.

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C. Organization

With respect to the organizational features of the Japanese political system, there are basically two types of political parties: (1) the highly developed party organizations of the Komeito and the JCP and (2) the others that lack strong party organization on the lower levels. The former face the dilemma that, if they broaden their appeal, they will lose cohesion and control.

The Communist Party has now reached the point where its dilemma is becoming acute. In the party's announced agenda for the convention to be held in July 1970, Communists defined their political position as representative of both proletarian internationalism and true Japanese "patriotism." Though it is not clear how the party will reconcile these opposed points of view, it is significant that the Communists have used the word "patriotism" in their party platform. Also in this connection, it might be added that the JCP plans to abandon the use of the conspiratory word "cell" (Saibo) in favor of "basic organization" (Kiso Sosniki) to describe the party structure at the grass roots level.* These new developments indicate a conscious effort on the part of the Communist leaders to create a new "lovable" party image.

As for the viability of the CGP during the Seventies, much will depend on the degree of secularization the party achieves. If it wants to extend the basis of its electoral support, it must convince voters that it does more than simply represent the Soka Gakkai. The resignations of Komeito Diet members from the Soka Gakkai and the ending of simultaneous leadership in both organizations during 1970 has been a

* The Rafu Shimpo, 18 May 1970, p. 1.

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clear step in this direction. Regarding this problem, the recent scandal may turn out to be beneficial for the party in the long run. On 3 May 1970, President Ikeda at long last broke his silence with a self-criticism concerning his party and organization.* In his speech, Ikeda tried to emphasize the autonomy of the CGP, in the hope that this would turn some of the harsh criticisms away from the Soka Gakkai per se. If he keeps insisting on the independence of the Komeito even for tactical reasons, it will in the end help secularize the party. This could strengthen Japanese democracy, because it would bring about greater competition on political issues and give greater representation to people who have been left out by the other parties.

D. Factionalism

Factionalism will remain a major factor in Japanese conservatism (as well as in Japanese socialism) during the Seventies. Premier Sato won a fourth party presidential term in October 1970, by a wide margin, but will probably not seek reelection in 1972.

E. Possible Splits

While LDP factionalism is volatile, it is not at present a threat to the integrity of the party as an organization. This cannot be said for the Socialist Party. Even though Secretary General Iwai of Sohyo assured reports on 21 January 1970, that there was little possibility of a party split, subsequent developments have revealed this as

*"The Content of President Ikeda's Speech," Shūken Gendai, 7 May 1970, pp. 24-27.

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a real prospect. On the day following this assurance, for instance, major labor unions, such as iron-steel, electric, automotive, and chemical, assembled in Osaka and passed a resolution calling for a modernized, popularly supported national political party. And the day after that, ex-Party Secretary Koichi Yamamoto presented a new draft party reform to other party leaders, in which he argued for the mass-popular rather than the class concept for the JSP. A new study group has been formed to deal with JSP party reconstruction. Eda and Katsumata spearheaded this and, significantly, Sasaki men were excluded.* If the party did split between the Eda and the Sasaki factions, the Eda group, after withdrawing from the JSP, might coalesce with the Democratic Socialists. The Secretary General of the Democratic Socialist Party, Ryosaku Sasaki, has said he would welcome such a prospect.†

If the JSP splits, it may well have two effects on Japanese politics. First, since the new parties will be able to clarify and define their respective ideological positions, they can provide the electorate with a less ambiguous spectrum of choices. Secondly, the possibility of DSP growth will be considerably enhanced.

The DSP has so far avoided factionalism by its being dominated by its founder, Suchiro Nishio. In essence it has been a one-faction party. But some rivalry has recently developed. Younger people unsuccessfully supported Eki Sone against the continuation of Eiichi Nishimura as Chairman at the party convention held on 17 April 1970. Any merger would certainly create factionalism within the party and loosen Nishio's

* Tarō Akasaka, "Nothing Quiet on the Opposition Front," Bungei Shunjū, XLVIII, April 1970, pp. 144-146.

† Ibid., p. 145.

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behind-the-scenes control. But such a merger might also make the DSP a more important contender for some kind of a coalition with the LDP, if at some date after 1975 the LDP needed a partner to have a majority of the seats in the Diet and had to choose between the CGP and the DSP.

Such a split could make the resultant more leftist JSP faction more amenable to cooperation with the Communists and advance Communist influence in Japanese politics. If this should be the case, the JCP would probably become more of a parliamentary party (such as the Italian CP) than ever before.

Plausible governing coalitions include either an alignment of the LDP with one or more centrist parties (DSP or Komeito) or a realignment of parties in which a centrist party made up of the present DSP, Komeito, centrist LDP, and centrist JSP elements is the dominant party, with a rump LDP as a right opposition and with Communists and Left Socialists (possibly joined) as a left opposition. (See also Appendix C.)

Appendix C

FUTURE OF PARLIAMENTARY POLITICS

I Introduction

Parliamentary politics were first employed under the aegis of the Japanese constitution of 1889. The Diet elected prior to World War II, however, had only limited powers, exercised primarily by way of constraints rather than initiatives. These powers were all but emasculated with the tide of events taking place in the years immediately preceding and during World War II. Under the postwar democratic constitution adopted in 1947, the new powers given the Diet resulted in an upsurge of parliamentary politics. The reconstituted political system provided for three branches of government, assigned responsibilities that included checks against the overconcentration of power in any one, and greatly expanded the rights and opportunities for political participation. Essentially the functions of this political system have remained relatively unchanged over the intervening 23 years, the mode and frequency of their discharge being subject to Japanese political customs having their origin in a long existing political culture. The bureaucracy, for example, continues to overparticipate in rule making. Whether the political system now in being will become deeply rooted or evolve toward authoritarianism, left or right, will affect both Japan's internal stability and her relations with foreign powers. It is important, therefore, to assess the future of parliamentary politics in Japan across the remainder of this decade.

II The Political Environment

The stability of a political system is dependent in large part upon the political environment, which is made up of inertial conditions that in combination tend to perpetuate a given political system. A political system imposed on a political environment that does not undergird it is subject to many disruptive forces, whereas a political system that is a product of the political environment is far less susceptible to fragmentation.

The inertial political conditions describe in extent or degree, for example, population trends, literacy rates, rising aspirations, cultural tensions, popular identification with a geopolitical entity, acceptance of the legitimacy for the method of transfer of power at national levels, confidence in the integrity of the judicial system, agreement with national goals, freedom for political participation, structures that permit the articulation and aggregation of interests, capabilities of the internal security forces to preserve law and order, access to and ability to transform natural resources to usable commodities, and antagonisms toward foreign powers growing out of past rivalries.

These conditions, along with many others, determine the current status of political behavior. They reflect past traditions as affected by economic and political geography. They set the stage for projecting the durability of the political system into the future and identify the major sources of pressure which the system must accommodate. If these pressures cannot be accommodated by existing political structures and functional processes, changes will take place in the system that range from gradual to precipitous. In either case, changes will occur in foreign and domestic policies, but if the political system is altered, these changes are likely to be more far-reaching as they affect relations with the international community.

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To lay the groundwork for assessing the future of parliamentary politics in Japan, the inertial political conditions are discussed briefly here under four headings: Demographic Trends, Expectations, Political Culture, and International Environment. Other conditions are then highlighted in a discussion of those necessary for the survival of parliamentary politics.

A. Demographic Trends

Japan is already one of the most densely populated countries in the world. At present, the population is estimated to be just over 100 million. According to projections, it will reach about 108 million in 1975 and 116 million in 1985. Thus, the population increase will be about 12 million in the 1970s. A notable feature, however, is the decline in the rate of growth, which now amounts to less than 1 percent a year. Birth control and abortion, which has been legalized, have helped to dampen population growth.

The decline in the birth rate has been accompanied by a reduction in the death rate. The combination of declining births and longer life expectancy will naturally affect the age composition of the population. The proportion of individuals between 15 and 64 years of age--the working population--will grow only slightly during the next 20 years, while those over 65 years of age will increase markedly. Table 3 gives the breakdown.

These population projections have certain implications. First, the problem of old age security will become acute. By 1975, one out of twelve persons will be 65 or older. Actually the proportion of retired persons will be much higher because of the customary practice of employees in government and industry to retire around 55. Labor shortage will undoubtedly raise the retirement age, but long-established customs are not

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Table 3

PROJECTED AGE COMPOSITION OF THE JAPANESE POPULATION

Year	Population	Age (in years)		
		0-14 (percent)	15-64 (percent)	65 and Over (percent)
1965	98,403,000	25.1	68.6	6.3
1975	108,835,000	32.7	69.3	8.1
1985	116,458,000	20.9	69.2	9.9

Source: Jiji Nenkan, 1966 edition, p. 887.

quickly discarded. Since the proportion of older persons will increase in the future much faster than the working population, the burden of supporting the aged will become heavier. The probability is high that a solution to the question of old age security will become a serious political problem before 1980.

Second, Japan will cease to be a country with surplus labor. Labor shortage, plus the bargaining power that this will give to organized labor, will continue to exert upward pressure on wages. Labor costs in Japan are already high compared to other Asian areas, such as Hong Kong and Formosa.

One way to cope with labor shortage is to step up migration of farm youth to the industrialized urban areas. As late as 1950 only 37.5 percent of the population lived in cities, but by 1965, the figure had risen to 68.1 percent. Urban migration, however, has not been distributed evenly over the entire country. The large metropolitan cities are located in a belt extending westward from Tokyo to Nagoya, the Island Sea and into northern Kyushu. This belt has become the industrial backbone of

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Japan.* According to projections, about 60 million people, or 54 percent of the population, will be living in this belt by 1980.*

The migration of farm boys and girls, of course, has affected the structure of agriculture. There has been a remarkable shift from full-time farming to part-time farming, which now accounts for the majority of farm families. In many families, the male head has taken a job in a nearby factory, or has gone to work in the city for months at a time, leaving the farm chores to the wife, children, and grandparents. At the same time, some farmers who have chosen to be full-time operators have gone in for a more commercialized type of farming, turning to more mechanization and more scientific farm management.

Before World War II, the state deliberately tried to promote agriculture, partly for ideological and national security reasons. The government is still partial to farmers because they are an important source of votes, but there is no longer the pressure to maintain the traditional agricultural way of life. All this leads to the conclusion that industrialization will go forward and that an increasingly larger proportion of the population will live in cities in the course of the next decade.

Industrialization and urbanization in turn will have important consequences. To begin with, they lead to occupational specialization, and especially to an increase in the number of persons who belong to the white collar class. Within 20 years, persons in management positions, technicians, office workers, sales personnel, and the like will account

* Ichimura, Shin'ichi, "Toshi-ka ni yoru kachi-kan no sokoku" (Changes in values under urbanization), Chuo Koron, Vol. 83, No. 1, January 1968, p. 131.

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for something like 40 percent of the employed population. Associated with this will be a steady increase in the educational level of the population. Compulsory education now extends through junior high school, but many aspire to go on to high school and college. Only a limited number can go on, so stepped up private and public investment in schools and college will be necessary. Table 4 gives projections for the number of persons with college degrees.

Table 4

INCREASE IN PERSONS WITH COLLEGE DEGREES
AND 15 YEARS' EXPERIENCE

Years	Number of Persons
1925-1945	160,000
1945-1965	650,000
1965-1985	3,700,000

Source: Sakamoto Jiro, "Kaishugy Sengen," Chuo Joron, May 1966, p. 93.

Both of these trends, the increase in the white collar class and higher educational levels, have political implications that are discussed below.

B. Expectations

Much is written these days about the "revolution of rising expectations." It would appear that poverty and other forms of social deprivation will not of themselves necessarily lead to revolutionary

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movements. The trouble will begin when people who are poor learn that others live better and that they, too, can expect to improve their lot.

It is evident, no matter what index one might choose, that Japan has made remarkable economic progress since 1945. Although Japan ranks 16th in the world in per capita income, with its large population it is third in terms of Gross National Product.

The question is whether such economic progress has simply whetted the appetite for an even more affluent life. Will the Japanese, stimulated by knowledge of Western consumption patterns, come to want an ever higher standard of living and become dissatisfied and frustrated if they discover that they cannot achieve it quickly?

The indications to date are that the urge to consume has been kept within bounds, and that expectations about increases in personal income are still modest and quite realistic. There is the related question of attitudes towards the future. To many Japanese the future is more important than the present. This is seen both in the sacrifice they make to provide their children with a good education and in the high rate of saving. The tendency to save in Japan is much more pronounced than it is in Western countries. It is said that working class families try to maintain their total savings at a level equal to their annual income.* This propensity to save, of course, has contributed to a high economic growth rate.

With respect to the effect of expectations on political stability, the indications are that in general the Japanese appear to be reasonably satisfied with the way things are. Of course, there exists, as is true in many countries, a generation gap, and among the

* Keizai Kikakucho, Zusetsu Keizai Hakusho, 1965 edition, p. 37.

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youth there are indications of various degrees of alienation. The voting rate among those in the 20 to 30 age bracket tends to be low, relative to other age groups, which may be a result of alienation from the existing political system. Japan has had its share of violent upheavals in the universities, leading to their shutting down for months at a time. A study of a student strike at Keio University over the issue of an increase in tuition suggests that the activists constitute from 16 to 20 percent of the student body and that the general run of students do not support extreme acts of violence.* In addition, it may also be true that the so-called generation gap is more apparent than real. For example, in a survey, respondents were asked what they thought people in their 20s and in their 60s believed to be the most important moral principle. Among the choices was the traditional idea of filial piety. Of those interviewed, only 7 percent said that they believed the young people placed highest value on filial piety, while 55 percent said that they thought the elderly did. However, actual polls indicate that 47 percent of those 20 to 24 years of age say that filial piety is most important as opposed to 75 percent of those in their 60s.†

If it is true that the Japanese are future-oriented, the tasks of political leadership are greatly simplified. Assuming that support generated for the political system is related to its output, the decision makers are not under pressure to produce results today if the people are more interested in the future than in the present. All the leaders need to demonstrate is that the prospect of things improving in the future is good, and the people will wait.

* Suzuki, Hiroo, "Nani ga gakusei undo ni karitateru ka" (What spurs on the student movement?), Jiyu, Vol. 10, No. 2, February 1968, p. 61.

† Hayashi, Chikio and Suzuki Tatsuzo, "Nihon-jin no jigazo" (Self-portrait of the Japanese), Jiyu, Vol. 9, No. 1, January 1967, p. 178.

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C. Political Culture

At the highest level--allegiance to the national community-- Japan is more fortunate than many countries in the non-Western world, because the problem of nation-building has already been solved. The process of modernization has, in fact, been going on for centuries. There already exists a sense of nationhood, and the Japanese have evolved a way of life that is highly valued and widely shared. Moreover, certain fundamental cleavages, for instance, religious, racial, linguistic, are not present to put a strain on the democratic political process.

The situation is somewhat different in the case of support for the regime (i.e., conduct of government). Japan is a parliamentary democracy, but its historical roots are shallow, compared to a country like Great Britain. The very notion of a parliament was an importation from the West. Although the first parliament in Japanese history was convened in 1890, parliamentary government in the sense of control of the government by political parties is a product mostly of the Occupation reforms of 1945-52.

The present governmental structure is, of course, derived from the Constitution, which was, except for minor details, drafted by the American Occupation authorities and promulgated in 1947. Thus the constitutional structure embodies values that stem, not from Japanese tradition, but from Western and particularly American tradition. It is, therefore, not surprising that the constitution and the political structure that it provides, have failed to date to arouse deep interest or warm affection.

Over the years, many surveys have been made regarding attitudes towards the Constitution, and the problem of constitutional revision, especially the controversial Article 9, which prohibits Japan from waging

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war and building an army, navy, and air force. Generally, as many as one-third of those interviewed have no firm opinion about revising this controversial clause.

There is an affective (emotional commitment) aspect of politics in addition to the cognitive (intellectual understanding). With respect to the former, one survey asked, "Do you like the Constitution, or do you dislike it?" Only about one out of four persons said they liked the Constitution.* Thus, one conclusion that could be drawn from the evidence available, is that the present regime enjoys only lukewarm support. The low level of affective support raises some questions as to the viability of democratic institutions.

An even more negative picture emerges with regard to Japanese popular attitudes towards those in office. In general the Japanese public appears to have low regard for its political leaders. A survey undertaken by the Office of the Prime Minister in 1961 asked, "what political force do you dislike the most?" About four out of ten respondents replied, "political parties."[†] It is a fact that party politicians have not been able to project a favorable image of themselves and thereby win the confidence of the public.

A corollary of this somewhat negative view of parties and politicians is the feeling that elections and even a change in the ruling party will not affect things very much. A 1961 survey asked, "If a very bad government appears and continues to misrule terribly, do you think

* Hayashi, Chikio, "Kaiken rongi to seron chosa" (Discussion of the revision of the Constitution and public opinion surveys), Chuo Koron, September 1964, p. 111.

† Sorifu, Kokumin seiji ishiki no kicho to henka no taiyo ni tsuite, 1961, p. 29.

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that if a series of elections were held the political situation would improve?" About four out of ten respondents said the situation would not improve, and about one-third said it would improve.*

The same survey asked whether life would get better if a "progressive" party came to power. Just under 4 percent of the Liberal Democratic supporters saw some improvement forthcoming, which is understandable. Most conservatives would not anticipate improvement under a left-wing government. But even among supporters of left-wing parties (excluding the communists) those who expected improvement under a progressive regime were in the minority.†

One consequence of a negative attitude towards political leaders and parties is political apathy. Various studies suggest that the majority of the people have relatively little interest in politics. There are, however, variations in the degree of interest. For example, interest in politics is correlated with social class: the higher the social class, the higher the interest. There appears to be a complex relationship with age. The aged are most apathetic (though this may change as the percentage of older people increases), followed by those in their 20s, while those in their 30s and 40s take much more interest in politics. Between men and women, men consistently show more interest, though there is evidence this gap is gradually decreasing. Education overcomes apathy. Those with least education are least interested in political affairs. As for regional differences, men and women who live in the large metropolitan areas are more interested in politics than are rural dwellers.

* Ibid., p. 27.

† Ibid., p. 74.

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As is true in many countries, the activists constitute a small minority. This does not necessarily have unfavorable implications for democracy. In their study of the "civic culture," Almond and Verba suggest that a functioning democracy has many kinds of people, and only a few need to be politically active all the time. What is necessary is subjective political competence, a feeling that the citizen can influence government.*

So far not much information is available about subjective political competence in Japan. The few studies that are relevant were carried out in urban areas and therefore probably overemphasize the number of voters who reportedly believe they can influence the course of politics. One study of voters in the city of Uji in 1962 came to the conclusion that those with "high" and "medium" feelings of political competence represented 72 percent of those interviewed.†

It was found that the feeling of political competence was correlated with political knowledge and educational level. On the basis of their findings, the authors of the study have put forward the following hypothesis: "The feeling citizens have of being able to participate in the political process and of having political competence represents a touchstone for determining preference for the old or new constitutional structure."[‡] If those who are more knowledgeable about politics, and who are well educated have a stronger sense of political competence and

* Almond, Gabriel, and Sidney Verba, The Civic Culture, New Jersey: Princeton University Press, 1963, p. 481.

† Miyake, I., et al., "Seiji ishiki kozo-ron no kokoromi" (An empirical model for political attitude structure), Nempo seijigaku, 1965, pp. 1-104.

‡ Ibid., p. 62.

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if such individuals prefer the present constitutional structure, it should auger well for the future of democratic stability, for the educational level is rising.

D. The International Environment

In order to survive economically, Japan is compelled to buy raw materials abroad, process them in her plants and factories, and sell the semifinished and finished products to other countries. This compels Japan to be on friendly terms with as many countries as possible.

Geographically, Japan is located in close proximity to two Communist giants: China and Russia. One might infer that Japan accordingly would put high priority on problems of international relations and foreign policy. Paradoxically, this has not been the case, at least since 1945. Japanese businessmen who have gone to the far corners of the earth with their sample cases have succeeded in building up a lively trade; but politically Japan has played only a passive role in Asia and in the world generally, a role not at all commensurate with her rapidly growing economic power.

One reason nationalism remained quiescent for so long after World War II may be that an earlier nationalism led to war, with its attendant horrors, defeat, and a foreign occupation. The Japanese reacted after the end of the war by turning inward and focusing their energies on pursuing "the good life" as measured by economic growth and the possession of material goods.

To some degree, economic growth and prosperity were purchased by diverting scarce resources from national defense into productive enterprises. Japan was able to do this, despite her proximity to the Communist world, because of her security treaty with the United States. However,

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Japan paid a price for such protection--the establishment of a patron-client relationship with America, which has influenced both its domestic and foreign policies. The problem with that kind of relationship is that it generates love/hatred feelings on the part of the inferior. On the one hand, the now strongly nationalistic Japanese have resented the protracted existence of American bases on their soil, and have resisted the entry of American business enterprises into their economy not only to protect the buildup of indigenous industry, but because their pride had been hurt. On the other hand, they have eagerly imported many elements of American culture and technology. The latter, in particular, has helped establish a solid economic base. To date, the conservative government has adopted a passive foreign policy, following American leadership more often than not.

To be sure, the left-wing opposition groups and the intellectuals generally have been vocal in their criticism of this policy; nevertheless those in positions of responsibility have continued to pursue this follow-the-United States policy because of the need to balance three factors--national security, economic considerations, and domestic politics. If Japan were to cut herself off from the United States, she would have to devote much more than 1 percent of her GNP to national defense, as has been the practice in the past. As for economic considerations, it is unwise to alienate your best customer. Thus, of the three factors, the policymakers have paid least attention to popular feelings. This was a luxury they could afford, because foreign policy issues have not as yet played a dominant role in Japanese election politics.

Actually, the division of opinion between the conservatives and the left-wing forces might be said to have contributed to the Japanese national interest. The existence of a left-wing opposition

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has given the conservatives a certain amount of bargaining power vis a vis the United States. For example, they have been able to avoid sending troops into Vietnam, but profit enormously from the fighting by selling war material and services. By the same token, the Socialists, with their pro-Chinese Communist policy, have been able to establish contact with the Peking regime. The danger of playing this kind of political game is, of course, that unless one plays it skillfully, it might result in undermining national consensus and pitting one warring faction against another.

Recently there have been some signs that the era of passivity in foreign relations may be drawing to a close. With nations, as with individuals, time has helped erase somewhat the bitter memories of war and defeat. As the struggle to make a living has become less urgent, more people have begun to feel dissatisfied with the insignificant role that Japan has been playing in world affairs. "Together with the revival of nationalism," a Japanese scholar has written, "national interest is becoming a goal-value shared by people of different opinions and ideologies."* Increasingly the intellectuals are saying that Japan should pursue a more independent foreign policy. Such sentiments, which were unheard of a few years ago, can be taken as a harbinger of things to come. Internationalism is likely to spread from the intellectuals to the people at large.

E. Conditions Necessary for the Survival of Parliamentary Politics

Even a cursory survey of the types of political regimes that exist in the world today would show that viable parliamentary democracies

* Mushakoji, Kinhide, "The American Assembly," The United States and Japan, p. 131.

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represent a minority. It appears that certain conditions must be met if stable democracy is to endure for an extended period of time. What are these conditions?

First of all, there must be an underlying social consensus that is reflected in a homogeneous political culture. This does not mean that no cleavages can exist, for there are bound to be social splits of one kind or another. The important point is that these cleavages be softened by the existence of groups with heterogeneous and overlapping memberships. When there are cross-cutting memberships, the leaders, who are after all the ones who help make cleavages politically relevant, are forced to adopt more moderate positions on political issues, for if they do otherwise, they are likely to alienate some of their membership.

History has shown that certain kinds of cleavages are particularly difficult to bridge. One of these is religion. It was the religious issue that finally led to the partition of the Indian continent into India and Pakistan.

Another basic cleavage has to do with communal or ethnic differences. For instance, the inability of the Malays and persons of Chinese descent to work together finally resulted in the splitting off of Singapore from the Malaysian Federation. Religious and ethnic issues are especially difficult to resolve, because they are often perceived to be nonbargainable. In terms of game theory they represent zero-sum conflicts.

Second, the parliamentary regime must be perceived as legitimate by both the members of the elite and the masses. Every regime has a structure of authority, of command and obedience, and when the system is working well and brings benefits to the many, the overwhelming majority of citizens will feel that they have a stake in the regime. They will

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want to see it perpetuated because most people prefer a government whose actions are routine and predictable to one that performs in a haphazard manner. This is especially true of the Japanese.

The beliefs and behavior of the leaders are particularly important in this regard. Many political scientists argue that in democratic regimes those individuals most committed to the principles of democratic ideology are to be found among the elite. Converse speaks of the leaders as the "keepers of the flame."^{*} It is certainly true that even in cases where there are deep social splits within the population, a parliamentary democracy can function where the leaders make "deliberate efforts to counteract the immobilizing and unstabilizing effects of cultural fragmentation," through such devices as entering into grand coalition governments.[†] Such democratic systems are called "consociational democracies."

The sense of legitimacy, of course, tends to be strengthened by passage of time. Like everything else, individuals have to learn to play their political roles. In every system the young are socialized into the ongoing political arrangements that prevail. It is easy to see that continuity in the patterns of political socialization is important, and by the same token the longer a parliamentary system has been in operation, the better its chances of survival in the face of adversity. Converse estimates that party systems, without which, of course, parliamentary government cannot function, essentially attain their maturity after about two-and-one-half generations.[‡]

^{*} Converse, Philip E., "Of Time and Partisan Stability," Comparative Political Studies, Vol. 2, No. 2, July 1969, p. 167.

[†] Lijphart, Arend, "Consociational democracy," World Politics, Vol. 21, No. 2, January 1969, p. 212.

[‡] Converse, Philip E., op cit., p. 167.

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This brings up a third point, that is, the role of political parties in parliamentary politics. Parliamentary regimes cannot function without political parties, for they provide the crucial link between the regime and social structure. Parties, to begin with, legitimate the regime by giving it a mandate to rule and, by socializing their adherents, provide enduring support for the regime. Parties in competitive political systems, moreover, provide regularized choices between competing sets of elites, and through the electoral and public opinion processes provide for transmission of instructions from the masses to the elites who hold the mandate. Parties, particularly those anchored in heterogeneous social groupings, also aggregate various sorts of demands, and if parties can meet such demands by resorting to log-rolling methods, they can often keep down discontent. The important thing is that "single claim" parties based on a group of supporters united by one claim, for example, a religious creed, not become typical of the party system. The experience of the developed democracies suggests that they are ruled "by party or factional coalitions that represent a fairly consistent social base, formed of coalitions of reasonably compatible interests."^{*}

When parliamentary systems are working well, party-based regimes are able to govern. According to democratic theory, democracies are supposed to represent the interests and wishes of the ruled. But mere representation is not enough. In addition to representing, governments must be able to give commands and secure compliance on the part of the people. The expectation is that this compliance will be forthcoming because stable parliamentary regimes presumably rest on an enduring

* Milnor, Andrew (ed.), Comparative Political Parties, T. Y. Crowell Co., New York, 1969, p. 5.

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relationship between the party leaders who hold the mandate and their followers. But history records that parliamentary democracy is a fragile system. Too much democracy in the political system, accompanied by a lack of it in other parts of the social system, can sometimes have dire consequences. In order to survive, democracy needs a balance between too much power in the hands of the leaders, and too little.

III Future Prospects for Japanese Parliamentary Politics

Having stated some general propositions pertaining to the survival of parliamentary politics, the Japanese parliamentary system may be examined to see how well it meets these conditions. In keeping with the conviction that the role of parties is crucial, the focus will be on recent party developments and the prospects for the future.

As already stated, one of the important variables is durability of the parliamentary system over a period of time. The longer a parliamentary system lasts, the better its prospects for survival. It is true that the present parliamentary system in Japan dates only from 1945, which means that it is less than a generation old. Only the youngest set of present-day voters spent their early, and hence most impressionable, years under it. This is clearly a weakness. It should be stated on the other side, however, that the first parliament met in 1890, that the formation of the first political parties preceded the parliament by about two decades, and finally that even during the war years, when anti-democratic sentiments and practices were strongest, the parliament itself was never abolished. The history of parliamentary democracy before 1945 is checkered to be sure. Still the prewar experiment with a parliament must count for something.

In the quarter of a century since 1945 the Japanese parliamentary system fortunately has not had to cope with deep-seated social cleavages.

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Japan is fortunate in that neither religious nor ethnic differences are perceived to be important. Most of the people would consider themselves as Buddhists, but they also participate in ceremonies and rituals that are Shinto in origin. There is a small Christian minority, but it is not persecuted. In general, the Japanese people do not take matters of religious doctrine all that seriously. As for ethnic questions, there are two groups of minorities, the Eta and the Korean. Both of these groups suffer from social and economic discrimination, but so far the magnitude of the problem does not seem large enough to make it a political problem. In short, there seems to be an underlying consensus in Japan.

The existence of a social consensus does not mean that there are no cleavages. The most important cleavage since 1945 has to do with the so-called "reverse course" policy and with foreign policy that is related to it. Everywhere the industrial revolution has posed the question of the integration of the newly risen urban working class into the political system. Where the working class was fairly easily absorbed, as in the United States, there developed no serious Left/Right cleavages, but where there was resistance on the power structure side, as was the case in Japan, there were difficulties. In the 1930s those associated with and sympathetic to the Left were treated harshly. The memories of suppression in the prewar period are still strong among those in the ranks of the opposition today.

From time to time, the conservatives who rule the country decry the "excesses" of the Occupation and propose to revive some of the practices of the prewar period. The attempt to turn the clock back has been called "reverse course," and, whenever it has been attempted, it has aroused the ire of the opposition forces, which have, on occasion, resorted to violence in an effort to stop it. Some of the most violent opposition has been connected with attempts to change the educational system, the

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powers of the police, and, of course, anything having to do with military problems. In fact the alliance with the United States, which also deeply divides the government and the opposition, appears to be in part connected with the fear of a return of militarism, which in turn might lead to political suppression of the opposition parties.

The division between the government and the opposition over the reverse course policy as well as foreign relations should not be minimized, but it is worth noting that the cleavages are nonstructural, that is, "they do not reflect any division of the body politic into social groups that are characterized by a personal feeling among their members of belonging together in most walks of life."^{*} It is not as if all businessmen, for example, favored the reverse course and all workers opposed it. Moreover, the reverse course is bargainable. All that the government has to do is to resist the notion of reviving prewar institutions. Indeed, as time goes on, the impulse to do so ought to lessen as social change continues at a fairly rapid pace. What may have worked before the war is less likely to work well as Japan becomes more modern. It appears, therefore, that the trend should be for more consensus rather than less of it.

In many countries socioeconomic issues provide the basis for ideological debate, but this is not so in Japan. As Leiserson has pointed out, the conservatives do not oppose social welfare measures: "nationalized railroads, a national health insurance program, economic planning, agricultural cooperatives, and so forth were established under

^{*}Allardt, Erik, and Pertti Pesonen, "Cleavages in Finnish Politics," Lipset and Rokkan, Party Systems and Voter Alignments, New York, 1967, p. 325.

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'conservative' governments."* Here again then there are no issues in the economic field that are irreconcilable and prevent the government and the opposition from working together.

Actually data on legislative performance suggest that a substantial degree of accommodation between the ruling Liberal Democratic party and the opposition parties, with the possible exception of the Communist, has been achieved in recent years. For example, in the House of Councillors during a sample of 5 sessions (38th to 48th), the Socialists support for bills introduced by the government ranged from 70 to 82 percent, the Democratic Socialists between 85 and 86 percent, the Clean Government party between 86 and 96 percent. Only the Communist party refused to go along much of the time, and its support ranged from 5 to 20 percent.†

Similarly in the House of Representatives, between the 23rd and 34th sessions, 865 bills were introduced by the government, of which 592, or 68 percent, were passed unanimously.‡ As these statistics suggest, most bread-and-butter type of legislation is passed without much opposition, as a result of consultations between the ruling and the opposition parties.

When it comes to elections, however, there is much more competition. The remarkable feature of Japanese elections is the consistent way in

* Leiserson, Michael, "Political Opposition and Political Change in Modern Japan," Paper presented at the Colloquium of the Center for Japanese and Korean Studies, 4 December 1968, p. 71.

† Sato, Yuji, "San-in giin roku-nen no kimmu hyotei" (An evaluation of the work of members of the House of Councillors in 6 years), Jiyu, Vol. 7, No. 7, July 1965, p. 146.

‡ Misawa, Junsei, "Seisaku Kettei Katei no Gaikan" (An outline of policy formation), Nempo seijigaku, 1967, p. 25.

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which the electorate has divided in casting its vote for party candidates. Since 1945, candidates endorsed by conservative party or parties have held the majority. At present the party alignment in the House of Representatives consists of the dominant Liberal Democratic party and the opposition, consisting of the Socialist, Democratic Socialist, Clean Government, and Communist parties. Except for the splitting off of the Democratic Socialists from the Socialists in 1959, and the entry of the Clean Government party in 1967, this alignment has been in force since 1955. The continued dominance of the Liberal Democratic party has led Scalapino and others to characterize the Japanese party setup as a "one and a half" party system rather than a two-party affair.*

In recent years the percentage of the vote cast for conservative candidates has been declining, which poses the possibility that over the long run the dominance of the conservatives could end, resulting in a multiparty system; but such a development does not seem likely during the next 10 years. Table 5 shows voting trends since 1947.

From the table it appears that the total vote for the Liberal Democrats has leveled off at 22 to 23 million. This means that the increase in the number of votes cast has gone to the opposition parties.

IV Political Developments under Alternative Assumptions

In the foregoing pages, an attempt has been made to outline the characteristics of the Japanese political system on the threshold of the 1970s. The next task is to make some forecasts about the future,

* Scalapino, Robert, and Junnosuke Masumi, Parties and Politics in Contemporary Japan, California: Berkeley; 1962, p. 41.

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Table 5

VOTING FOR THE HOUSE OF REPRESENTATIVES--THE FIVE MAJOR PARTIES
(in millions)

Date of Election	Liberal Democratic	Socialist	Democratic Socialist	Clean Government	Communist
1947	16.1	7.2			1.0
1949	19.2	4.1			3.0
1952	23.4	7.5			0.9
1953	22.7	9.2			0.7
1955	23.4	10.8			0.7
1958	23.0	13.1			1.0
1960	22.7	10.3	3.5		1.2
1963	22.4	11.9	3.0		1.6
1967	22.1	12.9	3.4	2.5	2.2
1969	22.3	10.0	3.6	5.1	3.2

more specifically, the next ten years, on the basis of trends having their origin in inertial political conditions. Excluding contingencies that might arise from external military threats, it seems likely that events affecting Japan's economy would impact most significantly on government and political stability. Major matters of political concern, such as party control, government allocation of resources, and foreign policy, are therefore reviewed under two assumptions: (1) that no serious economic depression will occur by 1980, and (2) that Japan will suffer a serious economic depression before 1981. A five-point scale is arbitrarily employed in indicating the degree of probability: highly probable, probable, probability unknown, improbable, highly improbable.

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A. Assumption: No serious economic depression will occur by 1980.

1. Proposition: It is improbable that the dominant position of the Liberal Democratic party will be threatened.

The projected decline in the agricultural population will work against the conservatives. This will be partially offset by the fact that the proportion of the older population, who tend to be conservative, will rise. Moreover, the number of independent entrepreneurs and family workers will decline as the trend toward domination by the larger companies continues. In short, unless the conservatives through better organization can recruit more supporters in the urban areas, it is highly probable that its share of the votes will continue to decline, though not precipitously.

In theory, the Socialists should benefit from urbanization and the spread of higher education. However, in fact, among youth the voting rate is lower, and those who become members of the white collar class, and this class will grow, often concern themselves with their private lives and are apathetic towards politics. During the 1960s the Socialist vote stayed at a plateau (28-29 percent) and then dropped sharply in the 1969 election to 21 percent. So long as the Socialist party remains dependent on the narrow political base of organized labor, it is highly improbable that it can become the dominant political party.

The Liberal Democratic Party and Japan Socialist Party are national parties in that they put up candidates everywhere and in that their representatives are elected from all sections of the country. The Democratic Socialist Party, the Clean Government Party, and the Communist Party are not national parties, and the Clean Government and Communist parties are very definitely urban based. The Democratic Socialists so far have been unable to elicit widespread support; perhaps

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this is the fate of a moderate party. No marked change is foreseen in this situation during the next decade.

The Communists have been slowly gaining strength in recent years and if they continue to espouse a program that stresses independence from the international communist movement and a revolution through peaceful means, it is probable that their appeal will be enhanced. It is probably true that already the Communists are beneficiaries of the protest vote, that is, people who do not find any of the other parties to their liking and yet do not wish to abstain.

The Clean Government Party, with its strong organization, will steal votes from both the Liberal Democrats and the Socialists, probably more from the latter. Since this party is strong in the metropolitan areas, it is bound to gain supporters as more people migrate to the large cities. However, unless the party can free itself from the Soka Gakkai, there will be a ceiling on its potential growth. It is conceivable that by 1980 the Clean Government Party could challenge the Socialist Party as the second-ranking party.

In the meantime, the population will grow, but at a slower rate. A rough estimate of the increase in the number of actual voters (which is smaller than the number of people eligible to vote) by 1980 would be about 4 to 5 million. The projected increase among the parties is shown in Table 6.

If these projections are reasonably accurate, it is evident that the Liberal Democratic Party will continue to be the largest single party, but its share of the vote will probably be about 40 percent. Because the electoral system intervenes, there is a complicated relationship between the percentage of the votes and the share of seats in the legislature. In Britain, for example, the "cube law" states that

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Table 6

ESTIMATED GROWTH OF PARTIES

(in millions)

Year	Liberal Democratic	Socialist	Democratic Socialist	Clean Government	Communist	Total
1969	22.3	10.0	3.6	5.1	3.2	44.2*
1980	20.0	11.0	4.0	8.0	6.0	49.0*

*Votes for minor party and independent candidates are not counted.

the proportion of the party's share of seats to its competitor's share will vary as the cube of the ratio of the party's vote to that cast for its rival. The proportionate relationship in the Japanese case has not been worked out, but certain observations may be made. The present allocation of seats, despite the recent increase in the metropolitan districts, still over-represents the rural areas to the advantage of the conservatives. Moreover, its greater strength in small rural constituencies means that the Liberal Democratic strength is greater than its share of the national vote would indicate because such districts can be won with fewer votes. The Liberal Democrats have also taken advantage of the principle that votes will lead to more seats when it is spread over fewer candidates and have eliminated marginal candidates.* This last indicates the leadership has been able to exercise growing control over the party machinery. By contrast, the Socialist Party has not been able to weed out weak candidates because of the intensity of factional strife within the party.

* Spafford, Duff, "The Electoral System of Canada," American Political Science Review, Vol. 64, No. 1, March 1970, discusses various principles having to do with electoral systems and strategies.

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All of these factors suggest that what has happened in metropolitan governments like Tokyo may not take place at the national level for a considerable period of time--that is the need to establish a coalition government because no single party commands a majority of seats. The present system of a dominant party and a divided opposition will probably continue through the 1970s.

In the event that this forecast turns out to be wrong and a multiparty system emerges, what kind of a coalition is likely? Assuming that the present party lineup remains, the question is who are the most likely coalition partners for the Liberal Democrats? There are some who suggest that if the Liberal Democrats get very much weaker the party will split into a left and right wing. This would seem to be improbable, partly because the business interests who support the party probably would not welcome it. If it is assumed that the Liberal Democrats will stay intact, the most probable coalition partner would be the Democratic Socialists, followed by the Clean Government Party. A Liberal Democratic-Democratic Socialist coalition would not represent a significant break from the past in terms of policy outputs. Considerable accommodation has been achieved in the past at the legislative level between the LDP and the DSP.

2. Proposition: It is probable that the government will devote more attention to the general welfare.

Because of the way in which the parties are organized, specific needs and demands of organized groups are met, at least partially, sooner or later. But the public interest or the general welfare, which has no champion, tends to get neglected or forgotten. High on the list of problems that urgently need to be tackled are those related to the quality of life in the metropolitan cities. Before too long more

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than one half of the population will be living in large cities, and urban life will become intolerable unless the government takes the lead, both in planning and in investment of funds, to cope with smog, overburdened public transportation, lack of roads, reasonably priced housing, hospitals, sewage disposal, and so on. In fact, Patrick has raised the question of why there has been a lag in public concern about these problems and he speculates that "Perhaps foreign observers overestimate the extent of demand for public goods; individuals in what has been a relatively low-income country by Western standards may simply prefer private consumption."^{*} Patrick is undoubtedly on the right track. By American standards, Japan needs large-scale investment in public goods and services, and it is highly probable that funds will flow in that direction in the future. This will happen, however, not so much because there will be a public outcry, but rather because several government agencies whose job it is to concern themselves with these problems will begin to put pressure on other government agencies who control the resources. Since resources are always scarce in relation to the need, there will have to be a reallocation of resources. So far the stress has been on economic development, but in the future it is very probable that more funds will be channeled into public works. There is another claimant to the resources that will be competing with those agencies concerned with the public welfare, namely the military. Over the years, there has been a steady buildup of the military establishment and there are no indications that this process will stop. It is not very probable, however, that there will be large additions to the military budget over and beyond the normal incremental increases, partly because public opinion is

* Patrick, Hugh T., "The Phoenix Risen from the Ashes: Postwar Japan," in Modern East Asia: Essays in Interpretation, edited by James B. Crowley, New York, 1970, p. 324.

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still pacifistic, partly because the opposition parties will resist it, and partly because of the desire to put more resources into creating a better environment, especially in the cities.

3. Proposition: It is highly probable that Japan will pursue a more independent foreign policy.

Signs of a revival of nationalistic feelings are clearly evident. In the past policymakers could often ignore public opinion in foreign policy matters. However, the Liberal Democratic majority may well decline, and, if so, the political leadership is likely to become more sensitive to public opinion related to international affairs.

There probably will not be a sharp change in Japanese policy toward the United States; but gradually during the next ten years, Japan will very likely loosen her ties with America. To achieve this, Japan will need to strengthen her own defense setup and find alternative customers and sources of supply. Both of these things are already happening and their tempo can be expected to increase.

The net effect of a more independent foreign policy will probably be to increase tension between the two countries. This is usually the case when established relationships are altered and new ones have to be entered into. However, a more equal relationship could provide the basis for a deeper understanding between the two nations. Were this to come about, the Japanese probably would become less defensive and sensitive in their dealings with Americans.

4. Proposition: The present parliamentary system probably will survive.

Earlier certain conditions were stated as necessary for the survival of a parliamentary system, and many of these obtain in

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Japan. First of all, there is the question of the existence of a basic consensus. Religious and ethnic cleavages, which are particularly troublesome in many countries, are not present in any serious degree in Japan. The cleavages that exist are nonstructural and bargainable.

Second, the legitimacy of the parliamentary system is being recognized more and more. Writing some years ago, Kyogoku commented that "The people of Japan came to accept the parliamentarism in the postwar period as a legitimate form of government, even though they did not have a full and proper understanding of 'democracy.' The people accepted parliamentarism more because it was beginning to function than because of any understanding they may have had of 'democratic principles.'"^{*} One of the problems connected with the improper understanding of democratic principles, continues Kyogoku, is the notion that "governmental authority is, by definition, to be fair and impartial but since party politics is bound to be partisan, to the people, the way in which Japan's postwar parliamentary politics have operated has been a source of great disappointment and moral indignation."[†]

There is some evidence that some people prefer a paternalistic form of government. The Institute of Mathematical Statistics in Tokyo has carried out national surveys at 5-year intervals since 1953. One of the questions has to do with leadership: "There is this view: Let's say we want to make Japan a better country, and if an outstanding political leader appeared, it would be better to leave everything up to

* Kyogoku, Jun'ichi, "Changes in Political Image and Behavior," Journal of Social and Political Ideas in Japan, Vol. 2, No. 3, December 1964, pp. 121-122.

[†] Ibid., p. 122.

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him rather than for the people to debate among themselves." The percentage of those approving this statement has declined from 43 percent in 1953 to 30 percent in 1968, while those disapproving the statement has risen from 38 percent in 1953 to 51 percent in 1968.*

As these statistics seem to show, the percentage of people who say they prefer to leave it up to the great leader has declined over the years. Finally, the same survey asked about "democracy," and in 1968, 38 percent said it was "good," and 3 percent that it was "bad," with the remainder taking the position that it depends on the circumstances.

Third, the political parties do represent the important social and economic interests and seek to aggregate these interests. The major parties, moreover, represent overlapping rather than sharply divided cleavages, while the minor parties help to integrate into the political system those who otherwise might stay outside of it. On the negative side, the major parties have not yet succeeded in building up local party organizations that would create stronger ties between the leadership collectively and the rank and file. Moreover, political parties and politicians suffer from a poor image, which may be related to Kyogoku's point, cited above, that the Japanese people are not ready to accept partisan politics. On balance, however, it would appear that parties have become an integral part of the political process, and it is difficult to imagine party politicians, whose status has been enhanced immeasurably by the parliamentary system, repudiating it in favor of a system that would exclude them.

*Tokai Suri Kenkyujo, Kokumin-sei no Kenkyu, Dai-4-kai zenkoku chosa, 1968, p. 126.

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Fourth, for a democracy to survive, a balance should be maintained between too much power and too little power in the hands of political leaders. Have the postwar governments been able to govern? Although governmental performance is something that is not easy to measure, the answer must be yes. One indicator is durability. The frequency of change in governments may be looked upon as a crude fever chart. Since 1955, when the present party setup was established, there have been five prime ministers to date: Hatoyama, Ishibashi, Kishi, Ikeda, and Sato. Hatoyama, Ishibashi, and Ikeda resigned because of poor health. If it had not been for these cases of illness, there probably would have been even fewer prime ministers in the 15-year period since 1955.

Another more indirect indicator of ability to govern is fiscal management. In recent years the Japanese yen has been one of the stronger currencies in the world. This is a sign that the government is managing fiscal matters as well as the economy with a steady hand. Usually when a country is in trouble, the value of its currency in the international money market declines sharply with great variations between the official par value and the going rate in free currency markets.

Finally, a good test is whether the regime can survive concerted efforts by opposition forces to topple it. The greatest test since 1945 occurred in 1960, when large-scale demonstrations broke out over the signing of the Mutual Security Treaty with the United States. The conservative government not only survived it, but even learned some lessons from it, the most important of which being that it would be better not to give the Left gratuitous opportunities to arouse the public to demonstrate.* The demonstrations in June 1970 against automatic

* Packard, George, Protest in Tokyo, New Jersey: Princeton University Press, 1966, p. 308.

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renewal of the U.S.-Japan Security Treaty were at most moderate by comparison, but the prospects of their recurrence together with the strong resurgence of nationalism will lead the politically sensitive LDP to seek further modifications in the Treaty.

B. Assumption: Japan suffers a serious economic depression.

Proposition: There will probably be political crises marked by demonstrations and even acts of terrorism, but the political system will probably survive.

One difficulty in trying to forecast what would happen in the event of a serious economic depression is that Japan has not experienced a significant slowdown in economic growth since the early 1950s. Therefore, there is very little experience to gauge effects.

One way to estimate how Japan might react to an economic depression would be to draw up a balance sheet, putting down both favorable and unfavorable factors. Among the favorable would be:

- (1) Many people do not expect the government to bring about their economic well-being; they expect to better themselves through their own efforts. Hence, there would not be that much pressure on the government to alleviate the situation.
- (2) A corollary is that individuals suffering from a depression would first turn to their families, and to their employers. Firms normally do not trim their payrolls drastically, so far as their permanent employees are concerned.

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- (3) Since the savings rate is high, many families would have a cushion to fall back on in the event of short-term economic adversity.
- (4) The government has sufficient financial resources to provide loans, and various forms of relief.

On the other side of the ledger must be put certain negative factors:

- (1) The political leadership does not have dynamic and high innovative qualities necessary to cope with crisis situations.
- (2) Any significant decline in conservative party strength would aggravate the lack of strong leadership.
- (3) Japan's heavy dependence on foreign trade gives her fewer options when it comes to taking steps to overcome a depression.
- (4) Before the war, farm families helped their city relatives, but farmers will be less able to play that role as more people sever their rural ties.
- (5) The affective aspect of politics leaves something to be desired. In a crisis, allegiance to the regime could be severely tested if the people do not feel a strong emotional sense of loyalty to it. However, on domestic issues, the options offered by the strongest opposition parties are not at much variance with programs of the LDP.

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Balancing the favorable and unfavorable factors gives no clear picture. The conclusion one draws would depend on the weight one puts on each of those outlined above. It would appear that the favorable factors outweigh the unfavorable, but probably not by a very large margin. Political disaffection will no doubt seek an outlet in acts of terrorism, for instance, assassinations of leaders, and in riots and demonstrations. The effect would be to intimidate the government in power, but not necessarily to overthrow it. The continued loyalty of the military could become critical.

Japan is a country that has never experienced a revolution, and the probability of one occurring, even under the stress of a serious economic depression, would appear to be low. Before one can occur, the government must falter, and moreover, there must be a potent revolutionary group waiting in the wings to displace the power holders. Neither condition appears likely to obtain during the next ten years.

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Appendix D

SOCIAL FORCES AND THE STABILITY OF THE POLITICAL SYSTEM

I Introduction

Political socialization is a continuing process by which citizens of all ages are exposed to influences that determine the degree of their personal identification with the political cultures and structures of their society. Some forms of political socialization tend to perpetuate, and others to alter, the beliefs, symbols and values that characterize the general nature of a national political system. Among pre-adults, the family, church, and school (elementary and secondary) usually tend to inculcate conservative traditional values. Other socializing institutions that come into play with maturation, such as mass media, universities, self-interest groups, place of work, and political parties, constantly introduce concepts to those exposed that may be foreign to traditional outlooks acquired at earlier stages. The interactions may result in accommodations or conflicts. Ingrained traditional value systems may delay the adoption of those that are more modern. The trade-offs shed light on possible fluctuations in future political stability over the next ten years and foreshadow the probable nature of the political system well beyond 1980. The uncertainty in political forecasting may be reduced through analysis of political socializing processes for the reason that political cultures tend to change slowly even when institutional changes are made as the result of coercive drives by occupying powers.

Japan's political culture today contains a mixture of traditional value systems, some of which trace back to the 17th Century and before, and modern value systems. The latter, particularly those introduced

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since the American Occupation, are producing stresses in the process of synthesis and assimilation. The origin of the traditional values is not easily defined, but their early manifestation can be identified within broad time intervals, and their persistence and influence generally traced thereafter. For orientation, therefore, the evolution of Japanese political socialization processes and effects will be reviewed generally in terms of two arbitrarily selected time frames: the Post-Restoration Period, the first part named after the Emperor Meiji (1869-1912) continuing until the end of the Pacific War in 1945, encompassing the rise of modern industrialization; and the period since the beginning of the Occupation characterized by imposed reforms designed to foster democratic institutions (1945-1970). Based on an assessment of the extended effects of the various political socializing institutions, reasonable estimates of the prospects for internal political stability and for preserving and strengthening the Japanese parliamentary form of government can be projected to 1980.

II Political Socialization in the Post-Restoration Period (1869-1945)

In Post-Restoration Japan a number of major developments affected or were the result of the political socialization process. Some, but not all, of the more important were the establishment of a national education system and emergence of universities, the extension of suffrage, the proliferation of interest articulating groups, the rise of political parties accorded a legitimate role, and the adoption of a constitutional form of government. Generally, these developments tended to facilitate the infusion of modern value systems and increase the scope of political participation.

Because of the influence of universal education, both Japanese urban and rural populations tended to be relatively receptive to political innovation. This receptivity may have more to do with already

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existent patterns of cooperative social organization and their resultant attitudes than with politics, per se.

A. Urban Migration

Urban migration increased greatly during the Post-Restoration period. The impetus for political change provided by urban migration is evident in the urban-dwelling population of Japan proper, which increased from 9.5 to 63.5 percent in the seventy-year period from 1890-1960. To some degree, the process of urbanization in this period helped relax for some urban dwellers the very close constraints on social behavior exercised in the village. At the same time, the effect of geography on demography, in combination with increased communications facilities, expanded rural education and other factors and led to changes in village life that cumulatively favored political modernization.

B. Education

From the Tokugawa period on, Japanese governments have viewed political socialization as a primary function of public education. In affecting political orientations, the most important elements in the system of education were the primary and secondary schools, which by 1908 enrolled practically all children of eligible school age. After 1891, "... all the private virtues became subsumed under the general virtue of patriotic loyalty, and the Rescript (on education of 1890) became until 1945 the basic sacred text of the new religion of patriotism, memorized by all school children, the subject of endless commentaries in school ethics courses, its ceremonial incantation on all national holidays a feature of school rituals conducted in an atmosphere of impressive solemnity."*

*Dore, R. P., "Japan: Education," in Political Modernization in Japan and Turkey, edited by Robert E. Ward and Dankwart A. Rustow, New Jersey: Princeton University Press (1963), p. 190.

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The national language readers carried the same themes of political indoctrination, as did the curricula for training of teachers, prompted partly by increased centralized national control over the Japanese school system. Judged from the standpoint of most pre-1945 Japanese governments, the effort was largely successful in homogenizing political attitudes, though obviously there were opinions in society that viewed indoctrination as insufficient on one hand or adverse to the infusion of new political ideas on the other. The overall effect of self-consciously directing political socialization in the schools by "morals" courses was to reduce discord for regimes in power. The propagation of literacy nevertheless opened the doors to new ideas. In some instances they conflicted with emphasis on the hierarchical structure of society, since political reformers within the government sought, for example, to further "democratize" the political processes. Because of their efforts, there was a gradual movement toward more parliamentary initiative beyond that envisioned by the original oligarchy of modernizers. In general, the assimilation of new ideals as well as the acquisition of technological knowledge and skills to attain material advantage was gradual and did not lead to any precipitous change.

The Japanese universities exercised an exceptional influence in the political socializing process, since they have from their inception in the 1870s provided a majority of all Japanese higher civil servants and an even greater majority in the top grades. Only in the period just before and during World War II did the imperial university graduates, in the main the descendants of the samurai and the wealthier families of commoners, surrender political power to the products of the military academies, many who were of more impoverished origins.

Tokyo Imperial University traces its origin to the merger in 1877 of two educational institutions founded under the Tokugawa shogunate.

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It was reconstituted as the first imperial university in 1886. When a new imperial university was established in Kyoto in 1897, the original institution came to be called Tokyo Imperial University. It was designed as a training school for civil bureaucrats, and it supplied a preponderance of successful candidates from the 1890s on. Most of the students were drawn from upper and upper middle class families. With the extension of the university to Kyoto, Tohoku, Kyushu, and Hokkaido, the class origins gradually became more diverse, but until 1945, costs of preparatory schooling to gain entrance and pass the higher civil service examinations limited opportunities for youth whose families possessed few economic resources.

The private universities, whose graduates tend to dominate the Japanese industrial complex, played a distinctive role in political socialization of the new elite instrumental in effecting the enormous economic growth of Japan in the post-Occupation period. Many of the private universities were founded to promote opposition to the bureaucracy and in so doing obtain for proponents a share in political decision making. In effect, as the opposition gained status and formed political parties, it developed institutional strongholds in the press and universities. The focus in some cases was to encourage young men to pursue business careers, although some private schools, such as those that have grown into the present Senshu, Meiji, Hosei, and Nippon Universities, were concerned mainly with training aspirant public career officials. Waseda University, founded in 1882, was an example of an institution intended to generate future opposition politicians. Chuo University also had its antecedents in the opposition movement, stressing Western legal traditions and preparing students for the inauguration of parliamentary government. Tetsugakko, founded in 1889, and which later became the Oriental University, was established as a reaction to what was considered excessive Westernization. The opposition universities eventually adapted

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themselves to the status quo, as did the opposition political parties. A common career pattern for party politicians came to be a Waseda education, followed by journalism and politics, leading to election to the Diet. These were men who rejected the existing order of society and espoused foreign ideologies and the right of the common people to share in political power.

The first generation of political leaders in the Post-Restoration period was trained in the Confucian schools of the Tokugawa period. The succeeding generation was predominantly Western trained--either abroad or in Japan with Western language texts. The generations since 1885 were primarily graduates of the law departments of the imperial universities who had undergone a training that was more formal, more authoritarian, and more indigenous. In the latter half of the Post-Restoration period, the political conflict was between the samurai oligarchy and its favored upper class industrialists on the one side and the entrepreneurial individualistic middle class on the other. The state universities were aligned with the former and the private universities with the latter.

C. Suffrage

The extension of suffrage following the Meiji Restoration provided new channels for political socialization favoring wider participation in political decision making. It was the drive for political participation that led to restricted suffrage in 1889 and the granting of universal manhood suffrage in 1925. In 1945, as the result of the Occupation, adult suffrage and lowering of voting age to 20 came about. The electorate, in consequence, rose from 1.1 per cent of the population in 1890 to 20 percent in 1928 (it reached 60.5 percent in 1960 and 70 percent in 1969). Implicit in the extension of suffrage is a concept of political rights and expectations of voters as well as the legalization and expansion of political parties and therefore the range of political

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alternatives open to voters and a broader base for political recruitment. Other concepts related to suffrage are an open and legal political opposition, minority rights, a bargaining polity, and a government responsible to the people. It is not of course true that these concepts have gained a wide acceptance or a secure status in Japan as yet, but suffrage persists as a medium for propagating and entrenching these concepts, and there is no strong evidence to suggest it will not continue to do so throughout the remainder of the decade. It is perhaps noteworthy that suffrage came by degrees over a fifty-year period, allowing institutions to adjust to any inherently destabilizing aspects of increments in the numbers participating in decisions affecting political recruitment and the resolution of political issues.

D. Interest Group Proliferation

After the Restoration of 1867, the samurai as a class were abolished and gradually a new political leadership emerged consisting of a small group of samurai drawn mainly from the Satsuma and Choshu houses and a few court nobles. A process of elite differentiation set in, proliferating the number of leadership groups, e.g., a professional military group, a group concerned with the control of the bureaucracy, a group centered in the Imperial Court and the emperor, groups identified respectively with the House of Peers and House of Representatives, and later still, about the time of World War I, a group composed of leaders of big business. As a result, pluralism and competition for leadership greatly expanded the scope of political participation among clearly differentiated interests. As the number of interest groups increased, the process of seeking accommodations among diverse demands and claims by orderly means began to be assimilated in the political culture.

At least four shared characteristics were evident among these elite groups, excluding the small number of Communists and left-wing socialists. First, from 1877 to at least 1945, all were strongly

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Japanese and nationalistic, accepting the results of the Restoration and the general form and system of government established by the Constitution of 1889. Second, the prevalence of factionalism within even the highest circles and the preference for bargaining and compromise within the circles of the elect provided effective barriers to the development of a truly totalitarian form of government. Third, the ruling oligarchy responded from time to time to demonstrations for greater popular participation in political decision making by accepting political parties as legitimate political structures. Fourth, the political leadership consistently exhibited a high degree of national service and obligation. All these characteristics tended to favor political stability while the scope of political participation expanded. They also, within the framework of Japanese hierarchical precepts, facilitated the mobilization and unity of national support for Japan's role in World War II. Defeat did not destroy the manifestation of these shared characteristics which served as a basis for reform programs initiated by the occupation.

E. Political Parties

Political parties in Japan came into being first as the direct result of Western influences, and second because of the program of modernization fostered by the Meiji regime. In Tokugawa times, those who banded together to press a demand or claim were often subject to harsh treatment on the grounds such actions were divisive and thus disturbing to the social harmony sought by the government. Early in the Meiji Restoration, the government adopted a more permissive attitude toward organized political activity in the public sector, and parties became legal. Their subsequent development was restrained in the face of the tradition prizing harmony, so that initially they had to establish their moral right to exist. That they have a legitimate place in the political system is not altogether accepted in modern-day Japan.

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Political societies were founded as early as 1873 and led eventually to Japan's first national political party, the Liberal Party, established in 1881, which drew its support from rural areas. A second party was formed shortly thereafter, the Constitutional Progressive Party, which was urban-based and counted among its major groups of constituents businessmen, ex-government officials, and intellectuals. A government-sponsored party, the Constitutional Imperial Party, came into being at the same time, representing an effort by the government to deprive the opposition of its monopoly on partisan activity.

During the 1870s and 1880s the political societies and parties performed two important functions, i.e., political education and political mobilization on an increasing scale to influence political decision makers. Western political concepts were imported and diffused by the societies and parties via word of mouth, the press (beginning in the 1870s private publishers intruded on the formerly exclusive preserves of government media), and party-sponsored schools. Nationwide political actions were undertaken, such as the petition of 1880 to the Meiji government to summon a national legislative assembly. This first attempt failed, but the partisan efforts were not wholly in vain, since a constitution allowing for increased political participation was granted in 1889.

In the early years of the Meiji period, power rested in the hands of a small group of men, largely samurai in origin and coming chiefly from south-western Japan. No one of these became identified as an outstanding national leader in the sense of a Ghandi, Lincoln or Ataturk. Rather, they were skilled in behind-the-scenes manipulation of individuals and not given to public promotion of individual popularity. One explanation is that virtue came to be vested in the institution of the emperor, which inhibited the exhibition of rivaling charisma.

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The power elites at first opposed party activity, but ultimately concluded, after the parties achieved some influence in parliament, that cooperation was more desirable than unrelenting resistance. Since the government under the constitutional monarchy dispensed all the patronage, the parties also found it profitable to seek a cooperative relationship. Moreover, the parties were not in themselves broadly based, and at best were poorly organized. The parties originally grew out of small rural societies formed around one or two local leaders, which were linked in loosely formed federations. The elements of the federations came to be known as factions. During their formative experience in legislative activities, vying for favors and influence marked the beginning of the factional competition still exhibited today. The government, too, found it useful to manipulate factions through a system of rewards and punishments. The former were often tendered to mute vocal oppositionists. As the parties became bureaucratic and party-making centralized, it was easier for the government to reach accommodations with them.

The national assembly prior to World War II never acquired much real power, but it kept alive the principle that government policies were subject to public debate. The parties, therefore, played but a minor role in the political process, providing only limited access to political decision makers in the government. In the 1930s most of the political leaders came from the military or the bureaucracy. Just prior to World War II, the parties disappeared, being amalgamated for harmonization into one organization, the Imperial Rule Assistance Association. It functioned to ensure public support of the war effort, not as an aggregating instrument to surface the demands and claims of various groups.

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F. Mass Media

1. The Press

The first really modern Japanese newspaper, Yokohama Mainichi Shimbun, appeared in late 1870. In the preceding Tokugawa period, beginning with their appearance in the early 17th century, newspapers reflected government political ethics, carried translations from foreign language newspapers published locally and abroad, local social news, and advertising. The two decades after the Meiji restoration, the press served as a vehicle for promoting trade with Western powers. Political demands came increasingly into periodical literature in the 1880s and 1890s, accompanied by a proliferation of dailies, weeklies, and monthlies. The first Diet, convened in 1890, marked an upsurge in the press as a public opinion molder on social and political issues. Sports and amusements commenced also to occupy more space. Estimated circulation rose from 53,000 in 1875 to 6-1/4 million in 1924. By 1945 it had reached over 14 million.*

After World War I, competition for subscribers accelerated as new publications appeared. By 1931 Japan had more than 1,124 dailies (most of them published in Tokyo and Osaka), 463 weeklies and 4714 papers published monthly.† The war in Manchuria led to press control measures, which were greatly expanded by the National Mobilization Act of 1939. The number of newspapers was reduced to one in each prefecture, and the whole press converted into a medium for the propagation of themes in accord with state policies. By 1945, only 57 newspapers were published,

* Kato, Shuichi, "The Mass Media: Japan," in Political Modernization in Japan and Turkey, edited by Robert E. Ward and Dankwart A. Rustow, New Jersey: Princeton University Press (1964).

† U.S. Army Area Handbook for Japan, Second Edition, 25 June 1964, p. 252.

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with circulation reduced to one newspaper for every five persons as a result of a shortage of newsprint and rigid state controls.

In general, the Japanese press, commencing in the Post-Restoration period, served to promote political modernization. The early newspapers quite self-consciously performed an educational role, disseminating in addition to news, translations of Western scientific and philosophical works. Their influence on the broad public was effective because of the high rate of literacy. The reform bias of the early nationalist press was paralleled by its oppositional character. The principal targets were almost always the government in power and the forces supporting it. A considerable majority of newspapers in the 1870s and 1880s took the liberal, anti-government side. They supported the "People's Rights" movement, the political parties and movements for a democratically responsible parliamentary system and constitution. Most party papers disappeared after 1883 following an upsurge in government suppression of the press under the revised Newspaper Law of 1875. Commencing around the turn of the century and for the next 20 years, there was an extraordinary expansion of middle-class readership and of commercial papers that supplemented the standard content of gossip and entertainment with solid information. Despite government opposition, the press continued the education of the people in liberal democracy, though this was substantially checked by tightened government controls from 1931 - 1945. In the early 1920s, newspapers played a major role in forcing the adoption of universal manhood suffrage in 1925.

Dating from about the time of the Sino-Japanese War (1894-1895), the Japanese press moved rapidly toward a high degree of specialization and professionalism. By the time of the Russo-Japanese War (1904-1905) its corps of reporters and speed of news transmissions stood at a par with the Western press. Its development was facilitated by nearly universal literacy, a writing tradition, and technology and

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managerial capacity to produce and distribute newspapers and other periodicals quickly throughout Japan. Between World War I and World War II, three major dailies came to monopolize the newspaper market: the Asahi, the Mainichi, and the Yomiuri. In effect, Japanese journalism attained fully modern status early in the 20th century, and today the Asahi and Mainichi newspapers have probably the largest daily circulation and highest rate of newspaper readership in the world.

As a result of its historic bias, reinforced by the oppressive atmosphere of the 1930s and 1940s, the press has found it difficult to transform itself into an objective, nonpartisan political socializing instrument. Many newspapers still maintain a fundamentally opposition posture toward the government, even when by any reasonable definition the government is not oppressive.

2. Radio and Films

Both radio and motion pictures first appeared as effective elements of mass media during the last 25 years of the Post-Restoration period. Japanese radio broadcasting commenced in 1925 with the establishment of three small stations. These were brought under control of the Japan Broadcasting Corporation in 1926, which was given a monopoly on all broadcasting. The corporation is a quasi-government entity known as NHK, which maintained all broadcasting networks until 1950. From the early 1930s until the termination of World War II, NHK was used by the government for unceasing domestic propaganda in support of nationalist goals and ideals. Registered radio sets had reached 6.6 million by 1941.

Motion pictures were first produced commercially in Japan in 1912. By 1935 there were 1,508 theaters showing both foreign and domestically produced films, which provided one of the major forms of entertainment in Japan. From about this time, moving pictures were subjected increasingly to strict censorship by the Ministry of Home Affairs

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and the police to ensure that political themes were not contrary to government policies. Beginning with the Pacific War in 1941 until its conclusion, the entire mass media supported the government by suppressing objective information and opposition opinion.

G. The Bureaucracy

Confucianism, the state ideology through the Tokugawa period, placed loyalty to one's lord above filial piety and emphasized the supremacy of public over private allegiances. Commodore Perry's visit in 1853 precipitated a national crisis in which the loyalty owed the lords of particular fiefs came to be transferred to the emperor as the national symbol. Thus, the ideological foundations of a modern bureaucracy were laid in the years between Perry's arrival and the Restoration in 1868. The administrative service was in general patrimonial. Bureaucratic ranks were normally filled by persons of specified feudal rank, although scholastic records at the fief schools carried some weight. Toward the end of the Tokugawa period the status hierarchy weakened to some extent, allowing penetration of the lower-class vassals. Adoption became one way whereby the hereditary hierarchy could be reconciled with a quasi-merit system for government service. The advent of Perry's arrival compelled an effort to recruit talented personnel for important offices by supplementing status relationships with demonstrable capabilities.

From 1868 - 1881, the Meiji government introduced many reforms. Selection by birth was replaced by a merit system. By 1885 the Grand Ministry system was replaced by a cabinet system, and a clear distinction emerged between the imperial household and the administrative departments of state. In 1881, a hieracritic obligarchy began to evolve that drew its aspirants from those of Satsuma and Choshu origins. Dissatisfactions led to the Satsumi Rebellion of 1887, followed in time by the establishment of a cabinet system in 1885 and in July 1887 the issuance of an

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ordinance that set forth rules governing civil service examinations and dividing the service into higher and lower branches with separate examinations. Article Nineteen of the 1889 constitution guaranteed everyone the right to become a civil or military official regardless of origin, provided the standards of certain examinations were met. The highest rank of the civil service continued to be filled by "free appointment," which became more partisan with subsequent governments. "Free appointments" were prohibited in 1899 to guard against party influence, with the result that both the establishment of public offices and appointments became imperial prerogatives, making impossible any democratic reforms in the civil bureaucracy. The system of recruiting civil bureaucrats by examination assured that Tokyo Imperial University--especially the law department--dominated the bureaucratic establishment.

It soon became apparent that, though the constitution was designed to strengthen imperial prerogatives at the expense of popular power, the government was unable to function except under party cabinets commanding a majority in the Imperial Diet. Recognition of this fact led to the emergence of a two-party system involving the Seiyukai and Kenseikai (later Minseito), with these parties alternately forming cabinets from 1924-1932. Thus, the Meiji constitution, despite the intentions of its authors, eventually sanctioned a constitutionalism tending toward the British type.*

This shift in constitutional practices was in part offset by a concurrent shift in the leadership of the two parties. Many bureaucrats joined the two parties and held high offices, and with few exceptions, the presidency of both. Few persons since have held cabinet office who

* Inoki, Masamichi, "Japan - The Civil Bureaucracy," in Political Modernization in Japan and Turkey, edited by Robert E. Ward and Dankwart A. Rustow, New Jersey: Princeton University Press, 1964, p. 293.

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were not formerly bureaucrats. A little past the middle of the Post-Restoration period, within the present century, the bureaucrats commenced successfully to initiate numerous social welfare measures, including the Factory Workers Law of 1911, the Employment Service Law (1921), the Health Insurance Law (1922), the Retirement Reserve Fund and Retirement Allowance Law (1931), and many others, despite powerful opposition from Japanese industrialists.

The Japanese bureaucracy, however, remained patrimonial. Moreover, while accepting merit for entrance and promotion, the civil service examination gradually became the basis for ascriptive selection with flagrant discrimination against lower-ranking officials and preferential treatment accorded those who passed the higher civil service examinations. Of the 48 bureaucrats who achieved ministerial rank between 1924 and 1945, only 9 came via service in the Diet. The remainder were appointed directly from bureaucratic positions.

III Political Socialization from the Beginning of the Occupation Through 1969

The Occupation, with its attendant reforms of political institutions and vigorous attempts to reinitiate Japanese political attitudes along democratic lines in accord with a new constitution and substructure of revised and new supporting statutes, increased the avenues of access to ideas that brought into question and tended to alter traditional values. The high rate of literacy and widely penetrating communication systems served to accelerate the dissemination of all shades of political opinion permitted since the Occupation, producing initially a markedly disruptive effect on the political attitudes of the Japanese people. It has become more difficult, as a result, to distinguish clearly between the stable and unstable, the emerging and obsolescing elements of contemporary political culture. The history of Japan, however, suggests a capacity to

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respond to measures for social, economic, and political reforms in ways that avoid sharp and widespread deterioration of value systems that have reinforced political stability. This may have been due in part to the failure of numerous critical issues to become manifest simultaneously. Had they been bunched together, political evolution might not have proceeded in the absence of major upheavals generally debilitating to the long-term stability of the political system.

Japan today is far from being an egalitarian society, although the Japanese citizen has had legal equality for nearly a century. The new constitution, and the laws derived from it, have not in any literal terms removed the deep sense of status distinction that pervades the society. In political and other fields, small elites continue to dominate Japan and perpetuate the distinction between the ruling and the ruled. The principle of hierarchy conserves the traditions of a committed and well-qualified elite and a disciplined and malleable people. The capacity for sacrifice is higher in such a society. Yet political and economic power are much more widely diffused than in the pre-war period.

A considerable gap exists in Japan today between public politics and the society because of the differences in constitutional law and traditional practices furthered through the continued exercise of rules of conduct that characterize the established political socialization process. Political integration suffers accordingly. Politics is based in constitutional law on principles of majoritarianism, in which the majority has the right to rule and the minority the right to oppose--within a framework of established rules. But to a large degree, Japanese society denies the moral validity of majoritarianism. It operates on the basis of consensus. Neither the right of the majority to govern nor of the minority to oppose is accepted by all. Nor are the responsibilities of the minority generally accepted. The majority tends to ignore the minority or treat it contemptuously. The minority upholds parliamentarism, but will resort to

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extra-parliamentary procedures in pursuit of its will. Foreign influences have distinctly altered Japanese political institutions, but indigenous influences still strongly affect political behavior. A continuing conflict between institutional demands and functional responses will characterize Japanese politics far into the future.

The process of political socialization on behalf of democratic practices is at best uneven. In many ways, the goals and obligations are keyed primarily to factions, with the primary focus on individual leaders rather than on gaining a uniform consensus in favor of democratic principles linked to a national image. The protracted leadership of the LDP is but one manifestation of this unevenness, and raises doubts in some quarters about the permanency of representative government in Japan. The traditional respect for hierarchical relationships will probably spare Japan for some years the turbulence that might otherwise grow with continued LDP monopoly of power. If so, political socialization of the masses along democratic lines may develop enough adherents to effectively resist during this decade a marked shift toward an authoritarian system of government.

A. Social Segments in Today's Japan: Shifts in Social Status and Social Function

Today's Japanese are the inheritors of a social system that differed radically in many respects from that found in the preindustrial West. It has often been mistakenly assumed that for Japan modernization is synonymous with Westernization. More properly defined, modernization, seen cross-culturally, refers to the life style and world view that accompanies industrialization. The social organization of a society need not be "Western" nor the tradition "Western" for a society to become industrialized. Yet once a society industrializes, it takes on certain common features found characteristic of all industrial societies. So too

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has been the case in Japan. Nevertheless, to understand trends in today's Japan, it is important to examine the peculiarity of the social system existing prior to the modern period. These peculiarities still influence the thought and perceptions of Japanese in ways that are somewhat different from those of Westerners.

1. The Elite

In the early period of modernization, the Japanese government attempted to emulate the British social system by instituting an aristocratic class from among the upper segments of the former imperial court as well as from the feudal lords and their higher retainers. A nobility of accomplishment as in Britain was instituted to include selected scholars and men who achieved prominence by outstanding service to their country.

The descendants of this peerage have very little social force in today's Japan. Former aristocratic titles, except for those immediate to the emperor's family, were officially abolished after World War II. The former aristocrats are now to be found sprinkled through the higher echelons of the business world and occasionally serve as functionaries within Japan's diplomatic service. Some of these individuals have retained sufficient wealth to maintain themselves as part of what might be termed the "international set." These individuals serve to set an upper level style in Japanese society. They are at present without much influence either politically or economically and will perhaps never again play any decisive role.

It is to be noted, however, that in the pre-World War II struggle for power within the Japanese military between the army and the navy the upper echelons of the armed forces were drawn to a considerable extent from different segments of the Japanese population. Many of the

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naval officers and upper cadres came from or were inducted into a more internationalist, aristocratic tradition, whereas the army was peopled more characteristically by the upwardly mobile sons of provincial rural families. Initially during the development of the armed forces in Meiji Japan, the navy was trained as British naval officers--with an aristocratic British ambience; whereas the army was trained by a more rigid cadre of Prussian officers who had defeated the French in the 1870s. The younger, more radical segments of the Japanese army were very much concerned with the relative decline and impoverishment of some of the agricultural areas and the relative decline of the status of the rural population within an industrialized country. They tended, therefore, to become "national socialists" as in the fairly autonomous Kwantung army in Manchuria.

They wished to radically change the nature of the society toward a more nationalistic narrow outlook with much less leavening effect on them of continual foreign contact. Conversely, the navy was proud of its more open contact with outsiders. It must be pointed out in understanding the future military outlook of Japan that there is, as far as can be perceived, relatively little of the very narrow xenophobic element in today's military compared with the militarists of the Thirties.

In today's Japan, those specializing in the military tradition come neither from members of the former aristocracy nor from individuals who are drawn from strictly rural segments of the population. Needless to say, the present constitution of Japan allows for none of the internal pressures from the military exerted on the previous prewar organization of the Japanese government. It is unlikely that the military in the near future will exercise the type of pressures that they did from 1930 - 1945 upon the civilian segments of the government.

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2. Segments in Today's Middle Class

a. The Professional Upper-Middle Class

The present-day Japanese professional upper-middle class is made up principally of four intercommunicating segments: (1) members of the modern business elite, principally those from large-scale manufacturing industries; (2) the bureaucrat-professional government officials; (3) the political community of professional politicians, who are principally drawn from either the business world or the national government bureaucracy; (4) the intellectual community. The fourth segment, the intellectual community, consists of individuals who function in what might be broadly conceived of as the education-communication industry of the country. They are members of academic faculties; and, more importantly, eminent journalists and writers who together comprise a group of professional intellectuals who function within informal circles. There is heavy internal social pressure sanctioning the political attitudes they express. This latter group tends to take a somewhat anti-theoretical stance to the former three groups. Politically, the business-bureaucratic politician groups tend to be in the conservative party, whereas the socialist parties receive considerable support from the intellectual community. There is some intercommunication, however, through the sharing of college peer experience that still bind together the members of the elite echelons of the Japanese society. Common university background is still a powerful social force. Individuals of the same graduating class of one of the five or six elitist public and private schools tend to maintain lifelong ties with one another.

The professional, upper-middle-class segments of the population are the principal decision-makers and opinion sources. Individuals who wish to affect policy or change in Japan find themselves relating to complex structures of communication that govern the interaction of people within this segment of the population.

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b. New and Old Traditions in the Lower-Middle Class

Japan today functions as a representative democracy. Those elitist individuals who go into politics must derive their political strength from the far more numerous constituents located in the lower-middle class and upper-lower class segments of the population.

The vast bulk of the middle class could be called either middle-middle or lower-middle, depending upon relative economic status. Principally included are: first, individuals in middle and lower echelons of "white collar" jobs; second, the bulk of the teaching cadres of the Japanese national school system (aside from the very highest levels of professors, who are in the "upper-middle class"); third, a most important segment of the middle class, the families and "houses" of the artisans and merchants who came out of the former chūnin townsmen segments of the population and comprise the small-scale shop helpers and tiny industries of fewer than ten employees in the Japanese economy.

c. "Sarariman" and "Danchi" Dwellers (New Middle Class)

Nowhere is industrialization more apparent and modern attitudes more evident in Japan than in the lower-middle class segment of the population that calls itself the "sarariman." The salary man is in effect the inheritor of the lower ranked positions of the samurai who peopled the offices of the Tokugawa premodern bureaucracy. In the modern age, he is the white collar worker working in various echelons of Japanese commerce or industry or local government bureaucracy. He is the worker in the ward offices; he is the teacher in the school; he is also perhaps in many respects the bellwether of left-right moves in Japanese politics. He tends to be a more independent voter; he tends to be concerned with the more pressing domestic issues. He tends to be more

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self-consciously "modern." He is the "strainer" whose wife must constantly strive to make ends meet within a limited, defined budget.*

He is the product of college education, his career is determined in most instances by his first job placement; he finds himself, from point of graduation on, committed to a particular organization-- be it within government, the educational profession, or industry. There is very little hope that he can better himself through job mobility from one company to another. His voting attitudes tend to be more liberal-- in some instances, radical. However, he is very much concerned with stability and focuses very much on domestic tranquility. He is very much concerned with the problems of transportation, pollution, and the other harrassments of congested city life.

Increasingly, the salary man is living in the large apartment complexes called danchi, which are springing up as far as possible all over the cities of Japan. The living space per family in those complexes would seem intolerable to Americans. A question for the future in respect to the Japanese economy is how long the salary man will be content with his cramped apartments. The nature of his life style may become in the future a source of increasing discontent. As yet, however, there are only a few visible portents of unrest. The danchi dweller is still a person with fairly high morale. His wife is concerned with the education of the young; there is a tremendous emphasis on a hopefully better future.†

* Dore, R. P., City Life in Japan, London: Routledge and Kegan Paul, 1958; and Vogel, Ezra F., Japan's New Middle Class: The Salary Man and His Family in a Tokyo Suburb. Berkeley: University of California Press, 1965.

† Kiefer, Christie Weber, Personality and Social Change in a Japanese Danchi (unpublished Ph.D dissertation), Berkeley: University of California, 1968.

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d. The Old Middle Class

For Western businessmen, economists, and others, the part of Japan most difficult to understand, or actually to accept as a still viable and influential force, is the segment of the population that can be classified as the "old middle class." It is comprised of farmers, landowners, merchants, and old entrepreneurial artisan families. Traditions of lineage and the "corporate house" or "ie" are still very strong.

Western economists have been waiting for the so-called dual structure of the Japanese economy to disappear; however, it has not disappeared. There are economic reasons for this.*

In the lower rungs of the old middle class extending downward, one might classify the old "upper-lower class" of very small operations run by entrepreneurs, manufacturers, store proprietors. Individuals in this social segment would, in terms of their income and education, be classified as lower class. However, the petty entrepreneurs have all the sense of striving and achievement motivation that characterizes those who are doing better financially. In contrast, their attitudes are drastically different from blue collar laborers, factory workers, and the like. There are still approximately 25 to 30 percent of the Japanese population that can be classified as belonging to the "old" middle class or the "old" upper-lower class. This segment of the population is a repository of traditional Japanese attitudes. Members of this group, when they become successful and move into more modern segments of the economy, still bring with them attitudes and perceptions that continue to give a peculiar coloring to Japanese business operations.

* Devos, George A., Chapter I: "The Entrepreneurial Mentality of Lower Class Urban Japanese in Manufacturing Industries," The Heritage of Endurance, Berkeley: University of California Press, 1971.

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The cultural characteristics of this large segment of the population are responsible for the type of communication difficulty that occurs in Japanese business when it comes in contact with European and American industry. This segment of the population is also the repository of very conservative political attitudes. It is the segment of the community that might welcome some return to more nationalist, traditionalist political concepts concerning the uniqueness of Japan's destiny.

These individuals are the inheritors of the old "chōnin" merchant artisan's life styles* and retain their prevailing traditionalist, conservative outlook. The group's lower segments are the individuals to be found in the "Komeito" or clean government party, which has been an offshoot of the Soka Gakkai, a "new religion" movement.

c. The "New" Upper-Lower Class

Beneath the white collar social segments of the salary man are the more skilled elitist workers--those who have been fortunate enough to be selected for permanent jobs in the modern industries. These jobs are higher paying and have shorter hours than those in smaller enterprises. They nevertheless also benefit from a certain degree of traditional paternalism, which sees to their welfare needs, not only in terms of illness, but in provisions for such things as recreational facilities.

Whereas the more militant Japanese labor unions have been traditionally wedded to leftist political groups, it is noteworthy that at the present time and perhaps as long as economic growth continues,

* DeVos, George A., and Hiroshi Wagatsuma, Chapter II: "The History of Arakawa-ku," Heritage of Endurance, Berkeley: University of California Press, 1970.

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the union movement in Japan has not found it possible to use any serious worker dissatisfaction to increase its bargaining position vis á vis the government or industry. The workers in the modern industries see themselves in relatively good position vis á vis the more traditional job positions available elsewhere. The early concern in Japanese industry for welfare benefits and the lack of a tradition in Japan of serious Marxian-type class consciousness, comparable to that which occurs in Europe, makes it difficult for unions to use interclass bitterness as a source of energy in the trade union movement.*

This is very apparent in the type of relationships to be found between labor and management in Japanese industry. These relationships are almost incomprehensible to business or economists visiting Japan for the first time.† They find in Japan such seeming peculiarities as labor unions in which the company president as well as the upper echelons of management belong as members.‡ There is in Japan no deep sense of cleavage between labor and management. Rather, there are structures in which everyone within a company defines himself included and presents a sense of loyalty in which the lower echelons of individuals within a particular company, including people working in factories, have more allegiance to the company than do workers in competitive industries. Prognostically, as far as future trends are concerned, it would appear that unless there is some unanticipated economic cataclysm in Japan, the elitist worker segment at least is not likely to be

* Abegglen, James C., The Japanese Factory: Aspects of its Social Organization, Glencoe, Illinois: Free Press, 1958.

† Abegglen, James C., "The Economic Growth of Japan," Scientific American, Vol. 222:3, March 1970, pp. 31-37.

‡ Nakano, Chie, The Univalent Society (in press), Berkeley: University of California Press.

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radicalized toward the communist parties. Many workers in effect, regardless of their leadership, are voting for conservatives rather than socialists, who are supposedly concerned politically for their relative betterment.

3. Other Lower Class Segments of the Present Japanese Population

There is in Japan today, overall, no very large segment of the population on relief or living in disorganized sium conditions. This is not to say, however, that such conditions are absent in Japanese society. It is to say, relatively speaking at the present time, not a large-scale social concern. With their expanding economy, the Japanese have, in effect, a worker shortage.

In the past when there was a recession, the characteristic nature of the society and its emphasis on lineage made it possible for the Japanese who were out of work in the city to return to their rural-based families. This type of cushioning will perhaps no longer be possible to the same degree should another recession occur. Nevertheless, the relationship between the rural and urban populations in Japan has certain characteristics that have not been true for the United States. In the United States, with the shift from rural farms to urban factories, the farms have been sold and the individual has no way to return to the soil. In Japan, so far, the farms have not been sold; people tenaciously cling to the land even though many of them are now working in local factories. Some part of the family maintains the farm. The fact that family ownership of farms is maintained is not only a cushion on living, but also a cushion on social unrest. However, it is problematical that one would see the same return to farms by industrial workers on a temporary basis in an economic crisis. What is now more apt to happen is a recourse to relief and welfare stipends, which is now technically possible according to Japanese welfare legislation.

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In every large society, one finds a number of marginal individuals who can only function as day laborers. Comparatively speaking, today Japan suffers relatively little from the effect of having large minority groups who, either through history of oppression or other circumstances, present a variety of social problems. Japan has not yet faced, but may in the future, problems of migratory workers brought in across national boundaries to cope with the growing labor shortage. It is less probable, however, that such conditions will arise in Japan, because of its geographic isolation. This situation will probably pose a far greater problem in Europe in the very near future than in Japan.

Today the only unassimilated minority segments of the population are the Korean minority of several hundred thousand, and the close to two million former outcastes. The Korean minority functions on the fringes of the Japanese social system and its economy. Many individuals who face economic discrimination take on activities in the Japanese underworld as well as finding other types of marginal jobs.

The former outcastes, as documented in Japan's Invisible Race,[†] are still at present unassimilated. These groups maintain their own social organizations, which are somewhat at variance and hostile to the majority of the society. The former outcastes are politically very militant. About thirty percent are controlled by political leaders with adherence to the communist or far left socialist parties. There is a much smaller number of conservatives among outcastes, principally in the upper status levels of the outcaste communities. These individuals are concerned with maintenance of control over the uneducated marginal workers

* Mitchell, Richard, The Korean Minority in Japan, Berkeley: University of California Press, 1967.

† DeVan, George and Hiroshi Wagatsuma, op cit.

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who are the source of their wealth. They are motivated by traditional loyalties. The cleavages between the radicals and the conservatives in the outcaste community are severe. In general, however, the dedicated radicals of the community control a number of the urban groups.

Their relatively small numbers have made unrest and protest over outcaste causes per se at best a minor irritant to the present Japanese society. However, on broader issues, including anti-American sentiments, they exert considerable influence far beyond their relative members. Their leaders have in many instances spearheaded protests against the American military.* American armed forces, from the time of the Occupation onward, have unwittingly been used by Japanese political leaders and local officials in ways detrimental to the outcastes. For example, in a number of instances, the land turned over to the American armed forces by the maneuvering of local officials belonged to outcaste segments of the population. The Americans entering such arrangements were, as far as can be determined, totally ignorant of what was going on. A particular example of outcaste leadership and protest was the court trial of Private Gerrard, who had shot a Japanese woman who was collecting shells on an American target range.

II. Socializing Influences of Occupational Structures

1. The Traditions of Vocational Training in Japanese Labor

In assessing the type of alienation to be found in some adults everywhere, one finds that industrialization in one sense produces "adolescence." "Adolescence" from a sociological standpoint can be described as a period of continued training toward vocational competence that occurs before an individual is allowed to be considered an adult in his society.

* DeVos, George A., and Hiroshi Wagatsuma, op cit.

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In the United States, formal educational institutions have been universalized to include students from all class levels, including those who 50 to 100 years ago were absorbed directly into either rural or other forms of work requiring very little beyond the elementary level of education. In effect, adolescence has been universalized, and it is expected of all youth to be "students." What has occurred for many is a form of alienation in which they are resisting the educative process on the one hand, but are not permitted to become occupationally adult on the other.

In Japan there is still among the petty merchants and artisans the remnants of a strong apprenticeship training system starting at age 14 or 15 and continuing for six to eight years. In modern factories, of course, there is no counterpart to such a system, and child labor laws in Japan as elsewhere have made it impossible to hire youthful individuals directly in the large industries. In Japan as in other countries, an increased number of nonstudent alienated adolescents who are nonideological in orientation are often engaged in various forms of deviant activities deemed "delinquent" by a society. The rate of delinquency in Japan has just recently leveled off, but is several times that of the prewar period.*

The apprenticeship system and the concepts of apprenticeship are part of the mentality of the Japanese that permits them to enter into industries on a low paying basis. It was an expectation that if one were taken over personally in youth and given guidance, that one was in a sense being trained and hence should not expect to receive large

* DeVos, George A., "Deviancy and Social Change: A Psychocultural Evaluation of Trends in Japanese Delinquency and Suicide," in Robert J. Smith and Richard K. Beardsley (eds.), Japanese Culture: Its Development and Characteristics, Chicago: Aldine Publishing Co., 1962, pp. 153-170.

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initial remuneration for work. One cannot understand the mentality of the Japanese workers and their acceptance of low initial wages without seeing it in the historical context of the previous apprenticeship concepts in the society.

2. Paternalism in Japanese Industry

Psychodynamically, it has not been difficult for the Japanese, given their socialization, to shift systems of loyalty and commitment from that of family and lineage to that of their occupational unit to which they have come to dedicate their occupational lives. It is useful to examine in some detail the implications of the Japanese system and why it works.

First, in comparing the Japanese system with the Western system, one notes that graduation from the educational system into an adult occupation is a far more severe crisis in Japan, since what is involved for the youth at this period is in effect a lifelong commitment. First, there is the marriage commitment. As the divorce rate is low, one makes the implicit assumption that marriage is lifelong. This is contrary to the implicit knowledge in the American system that there is indeed a possibility of divorce or change should the marriage arrangement come to be mutually unsatisfactory. There is similar commitment with occupational placement. The occupational commitment takes place much as an arranged marriage, that is, through a series of planned meetings during which an individual and a prospective corporation or large company investigate each other. A decision has every bit the sense of permanency and lifelong commitment as does the marriage arrangement. In contrast, more individualized Americans consider the concept of permanency as an undue infringement upon individual liberty of choice. For the Japanese, however, it is a part of the expectations of his culture. He may wistfully wish that it were otherwise, but realistically he knows that it is a system

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that is far larger than his individual wishes for greater individuation. This commitment does not apply only to the college graduate whose future career will be that of a minor executive within the management structure of an industry. This sense of commitment also is found on the worker levels of the corporate structure. There is a selectivity process in which certain young people are brought in at early levels of low wages just as the management people are brought in with low wages. There may in effect be very little difference in salary between that of the beginning workers brought into the blue collar echelons of the corporation and those at the executive level. A system of advancement that the individual expects is also related financially more to seniority than to specific function. Nevertheless, there is a reward system built in. Ronald Dore, who has been studying Hitachi Electric, * comparing it with a British firm, notes the very complex system of pay increase in Japan continuing throughout the life history of the individual. Such a system of seniority would only work in a society where there is a strong implicit assumption that work is a lifelong commitment to an individual company. The deferred gratifications implicit in this system would be intolerable otherwise.

This type of system, however, does not lead to an attitude of doing as little as one can, because the entire social atmosphere of the company is one that induces the person to do his best. He receives gratification from participating in a joint effort with others. Then too, there are yearly merit bonuses.

More so is high in Japanese businesses, and it is hard to find a place to draw a sharp line between management and labor. In effect, this line is a technical one that has very little emotional validity. The idea that is the heart of American management/labor structure--that there is a basic antagonism between the two groups, and that one must

* Personal communication between Dore and DeVos, 1970.

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maximize his ends somewhat at the expense of others--is not part of Japanese thinking. The Japanese recognize full well that the collective prosperity of their company depends upon everyone from top management to the night janitor in the plant. The history of the Japanese labor movement compared with that found in other countries is singularly without much evidence of serious strife.

The hierarchical structure of jobs within a company is part of the Japanese tradition of social hierarchy. It is not felt uncomfortable to the Japanese to recognize that they are in some position of relative status vis á vis others. The status differentials are muted rather than played up. For example, in some corporate operations both management and labor will wear the same buttons. There is no rank distinction made in any obvious way. Politeness is practiced in all echelons towards one another.

There is another factor in Japanese occupational organizations quite different from their American counterparts. That is, the specific job which a person is assigned to is but vaguely defined and there can in effect be interchangeability of function without any serious disruption. In an American factory a person would feel rather antagonistic to the idea that he should fill in for an absent worker and do his job for him. In Japan, it is considered part of one's total job to cover over for the inadequacies or the absences of other individuals in the structure. The best analogy to be made perhaps is that the Japanese work force, both management and labor, function much as a football team, the workers as the linemen, the executives the backfield. The principal idea is to score a goal; therefore, if there are weak positions within the structure, others will plug up the holes defensively or there will be a shift of function to the strong side in order to accomplish the ultimate purpose.

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What one has in many Japanese business operations is, therefore, internal cooperation, flexibility of role functioning, and muting of antagonisms within all levels of the organization, devoid of the basic cleavage in Western industry between management and labor. And fourth, intense concentration is focused on external competition in an attempt to best the adversary.

Here too, it should be noted, the Japanese exercise certain restraint in competitive practices. Competition has certain limits in which one wishes to best the adversary, but not to destroy him. In competitive markets such as the newspaper or publishing industries, for example, it has been observed that a particular publishing firm would go to great lengths to best a competitor; however, once gaining the strong advantage, the winning firm will not seek to cause the adversary to disappear, but will in effect tolerate a certain lower percentage of the market still going in his direction. There are analogies in Western corporations; for example, it is questionable whether General Motors or Ford would actually like to see American Motors totally bankrupt. It is to some advantage to maintain some competition, if only to show the superiority of one's product in comparison with others.

In sum, since the individual who is making a job commitment full well knows that his first job practically determines his career with a particular company, he faces his crisis in the beginning of his career, not throughout. Once in a particular company, he may be moved about quite flexibly in job placements within the company in order to make maximum use of his potential talents. This does not cause any overt jealousies within the system, since the advantages of these movements are muted by the deemphasis on overt indications of status, and secondly, the fact that the large proportion of income is determined by seniority rather than rapidity of movement within the ranks.

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This brings up a question of modalities of communications within hierarchical structures in Japan. How does communication take place between superiors and subordinates? The Japanese decision-making process is a subtle one by American standards. Direct confrontations are considered unseemly and provocative of undying animosity. They must, therefore, at all costs be muted, deflected, or presented without a loss of mutual face to the antagonist.

It is sometimes erroneously assumed that Japanese hierarchy implies the decision making moves from superior to subordinate. Observations of various decision-making processes within Japan sometimes indicate the contrary, i.e., that the initiative starts with subordinates and that the function of the leader is to symbolize the person for whom initiative is being taken and on whose behalf one is suggesting a plan. In situations where a leader takes too much direct initiative and goes counter to his subordinates, there are subtle sanctions or withdrawal which bring his leadership into jeopardy.

These decision-making processes are not of recent origin. They are the inheritance of a premodern social system in Japan. The unusual aspect of Japanese social hierarchy in occupation or elsewhere, however, is that a certain *modus vivendi* was developed so that the objectives of a group would not be hampered unduly by the inescapable rigidities of the hierarchical social structure. In the new age, some of these techniques of indirect communication have become highly adaptive mechanisms in the newer occupational hierarchies existing within corporate structures.

In sum, therefore, in looking at communication patterns in business companies or business structures as well as in other parts of the Japanese social system, one notes first that among the elite management, internal communication and external communication with individuals outside are very often a function of acquaintanceships made during the

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educational years. There is a highly elaborate network of implicit trust in individuals with whom one has had early formative educational experiences. Within the particular company itself, the fact that there is very little job mobility and that this is a general system makes for a type of commitment and dedication that would not be true if a person grew up in a society of alternatives in which occupational commitment was not an irrevocable act.

The main predictive points to be made from this discussion of the business organization is in line with the thesis expanded by James Abegglen.* It appears that there is no source of deep unrest within Japanese industry itself, either among the workers at the present time or management personnel. The system is one that is larger than the possible centrifugal tendencies of the individual. Individuals entering the commercial business structure of today's Japan are pulled into a system of fairly high morale in which there is very little present content for alienation or basic discontent.

The individual Japanese may feel at times a sense of confinement within his society. Nevertheless, the rewards of belonging are very important to him, perhaps more important to him than Westerners who are supposed to tolerate certain amounts of the economic consequences of individuation. The Japanese, in contrast feels that he is part of an interdependent unit and that, in a sense, he has a role to play that is important for him. Therefore, a major consideration in examining the Japanese future is that the Japanese modern corporate structure has within it less grounds for the production of alienation either on the management level or the worker level than perhaps any other of the present world societies. The system within, perhaps, could stand more strain than

* Abegglen, James, "The Economic Growth of Japan," The Scientific American, Vol. 222, No. 3, March 1970.

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would be true of a serious economic crisis in another society. In the past, economic threats to individual companies have been met by concerted action. Personnel at all levels voluntarily lowered their salaries and willingly worked for less in order to ride out a difficult storm. Such unification for a purpose in a company is almost unheard of in the West. Rather, in Western industries, labor is usually intransigent in its insistence on higher wages. The American movie industry and the newspaper industry are both in a critical state, but organized labor would not consider self-imposed salary cuts an acceptable recourse. Seen from the perspective of psychocultural organizational characteristics, the Japanese are not pulling apart within but are maintaining hierarchical cooperation in the midst of company and external international competition.

C. Education

The year 1945 marked the end of attempts to achieve standard production of loyal and obedient patriots in elementary and secondary schools, but after a half century this role of institutionalized pre-college education in political socialization will not be easy to eliminate. The Occupation regime introduced radical changes. Ethics disappeared from the curriculum, social studies courses were designed to teach a realistic view of human relations, and history was rewritten to deemphasize the past glories of Japan. Teachers became organized into a

* Japanese governments from feudal times until 1945 in the case of elementary schools made sure the moral injunctions in textbooks inculcated obedience to superiors and submission to the family and community. This concern for teaching ethics of political consequence is still manifest in conservative circles.

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powerful trade union dominated by radical left leaders. Since the end of the Occupation, steady pressure has been exerted by the conservative government to "correct the excesses" of these reforms. The resulting conflict with socialist resistance has precipitated many political crises. The socialists are not only anxious to preserve the liberal orientation of the prospective new voter, but genuinely fear a drift toward restoration of thought control and a new "totalitarianism." Failing by legislative means to attain their ends, the conservatives have adopted less conspicuous, though effective, approaches such as tightening textbook certification.

The liberalization introduced by the Occupation, however, has so far not been seriously disturbed. In the opinion of one authority, "... the products of postwar schools, as compared with their fathers, are more like citizens rather than subjects, are better capable of forming political opinions which they at least imagine are their own, and are more certain of their right to hold and express such opinions."^{*} Whether they are more likely to hold such opinions is debatable. Moreover, the modern Japanese educational system has worked in a number of ways to prevent the divisive effects of class consciousness in Japan, i.e., through propagation of the family-state ideology, through national uniformity in curricula which promoted homogeneity of sentiment and knowledge, and through a public school system permitting the wide diffusion of opportunities for higher education and thus high rates of social mobility.

1. Postwar Changes in the Educational System

Communism before World War II had already made deep inroads among the intellectuals, particularly the faculties of major universities. As an Axis partner, Japan's authorities undertook to obliterate

^{*}Dore, R. P., op cit., p. 198.

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the movement, but did not succeed. In the '40s and '50s resurgent Marxism swept the departments of economics and politics. Writings by members of such departments dominated ideological journalism. More recently, solidarity of the progressive intellectual camp has been broken, with courses in modern economics claiming more students than "Marxist" economics. The rising political leaders and businessmen, who are largely recruited from the universities, now represent a less homogenous group in their left political and economic orthodoxy. The center of gravity of the Japanese academic community, however, is still well to the left, more so in the state than the private universities. The private universities, supported by the middle class, appear satisfied with the status quo. The state universities remain the home of politically minded intellectuals who are typically alienated and form the nucleus of political opposition. Their cause is sustained and marshalled by political organizers of proletarian parties, trade unions, and the socialist movement--all political socializing institutions operating on the near adult and adult segments of society.

The practice of recruiting university graduates for the civil bureaucracy and business places a premium on attainment of higher education, particularly at those institutions from which most recruits are habitually drawn. Entrance examinations, therefore, function primarily as selection mechanisms. Those passing are virtually assured of graduation and a much brighter prospect for upward social and economic advancement than those who fail. The quality of education, by Western standards, leaves much to be desired. Undergraduate students after entering college come in too many cases to feel the education offered is fraudulent: the course work is inadequate. Instruction and facilities are unsatisfactory. Their resentment has been successfully exploited by political agitators to generate widespread student demonstrations in the 1960s. More recently, as Juaro points out, "Even though student movements may fire the campuses,

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they have come to ignore the problem of university reform: they take to the streets and their student-members join extreme factions or radical groups."^{*} The main confrontations have been over dissatisfactions with relations between the U.S. and Japanese governments.

While the public is becoming disenchanted with student disruptions, it is unlikely in the near future that ameliorative programs to abate legitimate domestic and foreign causes of discontent or attract student energies to constructive activities will be forthcoming sufficient to deescalate student outbursts in this decade. Little is being done to improve the acquisition of skills commensurate with burgeoning research and development needs within the schools.

The patrimonial system of employing organizations, however will continue, as long as it persists, to dampen the liberal focus of graduates; but if the patrimonial system gives way to selection and promotion according to capabilities, the intellectual opposition to conservative philosophies might well increase. Since the patrimonial system appears to be changing slowly, if at all, it appears that an increase in the intellectual opposition will be on a modest scale in the 1970s despite a sustained high level of student mass actions, which will be costly to the government in its efforts to maintain law and order. In Dere's opinion, "If it is no longer as certain now as it was ten years ago that an overwhelming proportion of the rising generation will cast their first votes for the Socialist party, it is by no means certain, either, that they would fall easy victims to mass totalitarian appeals of any complexion."[†]

* Junro, Fukushima, "The New Left," Japan Quarterly, Vol. XVII, No. 1, January - March 1970, p. 28.

† Dere, R. P., op cit., p. 197.

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It is possible, however, that actions by radical left extremists, unless moderated or effectively constrained, could polarize the population by forcing the conservatives into a radical right position, generating in the process political instability hazardous to continued economic growth and favorable to a return to a more autocratic form of government. The result could be unfortunate for Japan and would be ominous in its international implications for the free world.

2. A Japanese Crisis Point: A Need for Reform in the Universities

Japan has achieved marked progress in developing a large-scale advanced educational system. The problems of mass education in Japan, however, have come to a crisis point because the faculty system and other aspects of university structure have been rigidified in the form of elitest European traditions of the Nineteenth Century. They are not now constituted to handle the mass education increasingly required of them. Only last year did Tokyo University break with the European traditions that each major department is chaired by a single full professor who is the total arbiter of the knowledge to be dispensed by his department. This is highly unlike the American system, where a number of faculty members of equal status allows for a high divergence of approach and opinion in deciding on departmental policies. In the U.S., graduate students have some choice among the various specialities represented by a faculty in any discipline. In Japan, if a student is selected for graduate school at a particular university, he is expected to adhere to the particular approaches and theories of the professor in charge of his department. This has had a stifling effect on graduate education.

However, even more serious problems appear in undergraduate studies. Undergraduate education has become a question of mass production, with very large classes and very little in the way of personal

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contact between the teacher and the student. This situation has led to the type of generational alienation one finds characteristic of many of the Western industrial cultures, including the United States. Students have come to look upon their peers rather than their mentors as a source of leadership and morale indoctrination. There is no counterweight to be found. There is very little contact between faculty and students.

The faculty structure is characteristic of an age of education that was geared to relatively small numbers. The growth of the student body has made individual contact impossible.

Chodack cites the fact that the student organizations (again supposedly voluntary) have been able to radicalize the college students throughout Japan.* As she puts it, "Faculty make up the weakest link in finding effective solutions for university problems." The fact is that university professors are paid much lower than their prestige position in the society would warrant. They have as a result become absentee professors gaining their major sources of income from outside lectures and writings. Their university lectures are a mere formality. They offer very little opportunity for the students to enter into any discourse with the teacher, much less come into personal contact with him. The students are no longer psychologically able to submit passively to the educational process. There are too many other sources of information that cause questioning and the need for resolution for alternative points of view.

Socially adequate occupational preparation in a complex society demands a higher degree of specialization of a larger proportion of individuals than ever before. It is very obvious that the strictures of tradition, whether in Japan or in Europe, make it almost impossible

*Chodack, Frances, "The Japanese Student Movement," unpublished report, March 1970. (University of California at Berkeley.)

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today without radical reform for the universities to accomplish their purpose and by so doing prevent the extreme amount of alienation occurring in youth everywhere.

Contrary to the lack of serious alienation in the business and commercial occupations, Japanese education, like that of other modern countries, faces a revolutionary atmosphere in its youth. The structure of authority in the family no longer forms any kind of residual forceful counter-balance to the forces of change existing in student movement.

The problem in Japan as elsewhere from a standpoint of democratic ideology is that the students are now concerned with the apparent inadequacies of the democratic process and its lack of quick resolution of difficult social problems. This puts them at the mercy of movements of protest. In the past, they were critical of the government for its militarism, today for a vast array of diverse complaints.

In attempting to predict future trends, it may well be that unless a much larger portion of the Gross National Product is put into a serious expansion of the entire educational system in Japan, the university system will continue to be a source of serious unrest.

Yet, it is highly unlikely that the Japanese youth, any more than the youth in many other countries, will find the capacity to make common cause with other dissident segments of the population unless there is a radical breakdown in the growth trends within the Japanese economy.

D. Interest Group Proliferation

1. Voluntary Organizations

Perhaps one of the aspects of Japanese social life that is least understood by outsiders is the nature of the complexity of

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communication patterns that take place through voluntary organizations in Japan. The Japanese as a people have been socialized to a strong sense of role dedication.*

Voluntary organizations were active in the premodern past as well as in the present throughout Japan. In effect, many of the present-day organizations are simple continuities of a pattern already extensively practiced. Such organizations contribute much of the Japanese modern social and economic success. Strong motivation for voluntary organization is part of the overall sense of social purpose inculcated into Japanese as part of their socialization experiences.†

The presence of such organizations is a strong counterforce to the types of alienation and polarization that are social precursors to extreme political upheaval. What has been described in respect to Japanese organization on the local level in one city ward is a source of prognosis that Japanese society will not become seriously disrupted in the immediate foreseeable future.‡ It is also possible, however, in the event of some severe economic or social crisis for the Japanese to be mobilized by a political regime that has rightist legitimacy for purposes of national effort to a degree perhaps not possible in many other modern states.

* DeVos and Wagatsuma, op cit., "Status and Role Behavior in Changing Japan: Psycho-Cultural Continuities," Georgene H. Seward and Robert C. Williams, Sex Roles in Changing Society, N.Y., Random House, 1970.

† DeVos, George A., and Harold Wagatsuma, Chapter VI: "Some Glimpses into the Political Structure and Network of Associations Operative in Arakawa Ward," Heritage of Endurance, op cit. (Unpublished manuscript, 1970.)

‡ DeVos, George A., Chapter VII: "Social Organizations in Arakawa Ward," Heritage of Endurance, op cit. (Unpublished manuscript, 1970).

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The social roles accorded prestige are related to both traditional and modern activities within local communities. A person finds it difficult to come from the outside into any kind of political leadership.

On a national level, however, other forms of popularity may gain for the individual a voting public. Television personalities, for example, have gotten themselves elected in recent years in Japan in a similar way that former entertainment personalities, especially in the State of California, have entered and been successful in the political arena. On a local level, however, this is much less apt to occur.

2. Business and Community Service Organizations

The local communities are a vast network of interlocking business organizations of two types: one, specialist organizations in which all the members are in a particular occupation, such as restaurant owners; two, complementary organizations, as found in Japan as well as the United States, such as the Lions, Rotary, or Kiwanis, which are in essence composed of single, or at best two, representatives of different businesses and professions who come together ostensibly for social betterment, but also comprise a local network of complementary professional and business roles that are helpful to one another economically. Practically every merchant or businessman attempts to belong to both the specialist and the complementary type of social organization wherever possible. In addition to these business organizations are welfare and community service organizations that are not directly related to business or commercial activities but to the betterment of the local community. These organizations will include local politicians, members of faculties of local schools, as well as members of the police department and other government agencies coming together on the resolution of particular

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issues.* What occurs in these organizations is a bringing together of various elements in the community so that information from one part of the community becomes quickly diffused throughout other groupings.

It may be predicted that the continuing force of various forms of business and community service organizations will be to counteract any disorganizing effect of Japanese urbanization--even though in the future the individuals will not be able to go back to the land if there is any economic recession. There are sufficient organizations within the community that will attempt on local levels to meet and compensate for crises within the community itself.

3. Religious Organizations

The traditional religious forms of Buddhism and Shintoism have very little force in today's Japan. The nominal adherence to a Shinto sect related to a particular rural area is even weaker in the modern city. Although there is some formal adherence by some more conservative Japanese to the maintenance of particular shrines, generally speaking it is quite questionable whether any form of Shinto will have a very strong social force in the future. The Japanese society has become strongly secularized in the postwar period. There is little force in the ancient myths; therefore, if there is any form of either radical or conservative reactionary takeover of the country it would probably be done without any recourse to the use of a state Shinto as occurred in World War II.

* Ibid.

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E. Mass Media

1. The Outreach of Media

Following World War II, the mass media re-proliferated. Government control was at least formally vitiated and media again came to serve as a two-way channel of communications between the government and the people. The high literacy rate and extensive diffusion mechanisms assured the rapid extension of news to all levels of Japanese society. The media never became wholly free from direct political control until after 1952, the last year of the Occupation. Pressure at that time, however, began to increase from private commercial circles. Today the major nationwide outlets are becoming increasingly subject to the influence of large business interests and are subtly serving the changing currents of Japanese domestic and foreign policy. Moreover, a general consolidation of communications media is occurring. Public attitudes are largely conditioned by three giant newspapers that vigorously compete for circulation, one semi-governmental broadcasting corporation, a few private broadcasting companies, and two film companies. The establishment can and does exert continuous indirect influence on this consolidated structure.

a. Press, Periodicals, and Books

By 1969, daily circulation of newspapers had reached 34 million, about one copy per two adults. Dailies with the largest circulation include Asahi (5.6 million), Yomiuri (5.1 million), and Mainichi (4.2 million), all of which have a nationwide distribution. Together with their TV news, films, and book publishing, they have an enormous influence potential. Each has foreign correspondents stationed in most of the major cities of the world. Sankai (850,000) and Nikon Keizai (710,000) cover economic news, the latter being considered the Wall Street Journal of Japan.

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These five dailies range on a scale of anti- to pro-Establishment in the order listed above. This does not mean, however, that they vary correspondingly from left to right. The Asahi, which is liberal in its editorial stand on leftist causes, cannot be dogmatically termed communist. The makeup departments of the three largest dailies, however, tend to be saturated with virulently anti-Establishment and anti-United States employees who slant headlines to reflect their views, often with no relation to the articles covered. This is significant, since studies indicate the Japanese public tends to skim captions and ignore articles under them.*

The Japanese press is not a neutral press, but a central position press. If public opinion moves to the right, the press shifts its editorial slant to the right. Commentators, editors, and political writers alike evince Japanese tribalism. They dislike splits in views, preferring consensus. The tendency in Japan is to emulate number one. Therefore, everyone in the news business is reading Asahi and taking cues from its leads. When there is no consensus, the situation is regarded as unhealthy. While the individual newsman may feel he is staunchly defending press freedom, and is free from pressure, he nevertheless is a conformist to press fads. The fad of the moment may be to protest the presence of U.S. nuclear subs in Japanese ports or the renewal of the 1970 Security Treaty. Media tend to jump on the fad bandwagon so as not to undercut their wanted claim of reflecting public opinion faithfully. Generally, when attacks are heavy on the United States, a reaction sets in. Business puts on the breaks, in some cases by threatening to take away advertising, though the business community often works through top management of the press to influence the man on the political

* Country Policy Planning Memorandum (CPPM), Part I, U.S. Information Agency, 1969.

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desk. Those on news desks who are most outspokenly critical may eventually be shifted to research desks or to magazines owned by the newspapers. Some major weekly magazines are very radical. This, of course, is not true of all periodicals, but weekly magazines tend to be the most sensational.*

More than 6,000 periodicals of all kinds are printed and circulated in Japan, of which over 2,200 are regular magazines commercially distributed. Several dozens of the mass circulation weekly magazines compete intensely with each other, including the left-leaning Asahi Journal (180,000), Mainichi-published Economist (50,000), and the conservative Sekai Shuho (12,000). The older opinion monthlies carrying the most prestige are the moderate Shuo Ron (100,000) and Dangai Shunju (570,000) and the "progressive" Sekai (40,000).†

In 1968, about 2,500 firms were publishing books. Some 16,700 new titles and reprints (excluding government publications) appeared in that year, with 293 million volumes actually sold at an average price of about \$1.50 a volume. In addition, 197 million textbooks were published for grades 1 - 12.

b. Radio and Television

NHK (Nippon Hoso Kyukai or Japan Broadcasting Corporation) today operates more than 300 radio stations in two nationwide networks, one for general programming and the other for educational and cultural programs. The latter tends to inculcate conservative values. In addition, there are about 150 commercial radio stations.

* Interview on March 12, 1970, with Hugh Burleson, U.S. Information Agency, Washington, D.C.

† Circulation figures are for 1968.

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The approximately 22,000,000 television sets in operation (about 2,000,000 color) have access to broadcasts of more than 500 commercial outlets and 1,300 NHK stations. An estimated 95 percent of all households have television. Foreign television programs, particularly from the United States, bulk large in the weekly schedules. Like American television commentators, Japanese television newscasters are affected by ratings and are far more visible than the man writing for the press. Television newscasters respond more than newspaper writers to the national ethic (consensus). With respect to political and economic news expressed by the NHK, this consensus generally represents an amalgam of viewpoints expressed on the floor of the Diet by LDP leaders.

The television drama series, like the radio educational network, tends to emphasize traditional values. Motion pictures do so to a lesser extent, with young people constituting by far the major portion of the audience. Television regularly runs long serials (3 - 6 months) covering a particular historical novel, often having a feudal setting.* These have a listening rate of about 20 percent. In 1965 drama series began to appear reaffirming the humanity of Japan's common soldier in World War II, essentially making a pacifist appear against war itself. The military is still unpopular.†

* But the unspoken theme may be that the ruling classes were largely corrupt, while the common man, with a few samurai champions, was struggling against repression.

† Burleson (op cit.) states that the people still resist the idea of high-ranking military officers being involved in political decision-making. If generals in military retirement start running for political office, the public will react adversely. Only in the event of a clear external military threat, such as the unification of Korea under the Communists, is the military image likely to improve.

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c. Motion Pictures

The 4,119 theaters in Japan in 1967 recorded an attendance of 1/3 billion. In the same year, 406 feature films were produced. This represents a sharp falloff from the peaks reached in the late 1950s. This decline is attributed to the increased television audiences. Foreign films are shown in one out of six theaters. About half are of U.S. origin.

2. Audience Reliance on Media

The relative importance of different media in communicating news and views is indicated by surveys such as the 1965 Yomiuri poll, which reported the following percentages of exposure of the general populace:

Television	96%
Newspapers	92%
Radio	58%
Monthly magazines	47%
Weekly magazines	45%

In the spring of 1968, a poll of USIS audience categories as to the source of most of their information on world events, gave the following results:

* CTPA, op cit.

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	<u>Media</u>	<u>Acad</u>	<u>Gov/Fol</u>	<u>Labor</u>	<u>Student</u>	<u>Business</u>	<u>Women</u>	<u>Creative</u>
Newspapers	98	99	97	95	97	94	92	98
Television	85	88	90	90	76	93	97	88
Magazines	43	40	39	32	37	23	21	42
Radio	38	27	21	28	50	32	22	28
Books	17	18	15	11	16	7	7	18
Movies	2	2	1	1	1	1	2	3
Newsreels	5	2	3	3	10	3	3	4
Friends/ relatives	6	3	3	4	11	3	10	9
Other	10	2	4	4	--	2	4	1

(Respondents were permitted to name more than one source.)

3. The Influence of Mass Media

From the beginning, newspapers, books, and periodicals--and, in the 20th Century, radio and television--have engaged extensively in political socialization.

The Japanese press, like the press of most other free world countries, including the United States, is not free of bias; that is, special interests are everywhere found disseminating their views through controlled outlets. The form of control, as indicated, may be blatant (rarely) or subtle, direct (infrequent) or indirect as exercised by the government, by business, labor or other associational and non-associational interest groups. What is unique about Japanese mass media derives from the hierarchical social structure and search for consensus that goes on at all levels of society. The impulse this gives to conformity is substantial and no doubt narrows the range of political controversy reflected in the largest news outlets.

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Under the Occupation, the press was encouraged to report honestly and exercise responsible objectivity. There were inherent contradictions in this, first because newsmen had little experience in such practices, and second because of U.S. military censorship. The purge by Occupation authorities of those who backed military aggression between 1937 and the attack on Pearl Harbor had little sustained effect, since many of those affected later drifted back into prominent media positions. Under the Occupation, the Japan Newspaper Publishers' and Editors' Association was formed; it set the philosophy of press freedom that still applies. The press "... shall enjoy complete freedom in reporting news and making editorial comments, unless such activities interfere with public interests or are expressly forbidden by law..."[†] The exception allowed for a wide array of restrictions on the freedom of the press. The postwar constitution did not clearly obviate the danger of press control. In effect, the press emerged from the Occupation with its ninety years of tradition largely intact.

A differentiation may be made between the direct and indirect control of the press. The former was muted by law. The latter, however, now characterizes its relations to the Japanese government. Today the ties that link the LDP and the business community in common endeavor reach out to encompass the dominant mass media. The press, in effect, has been incorporated in the establishment, which uses it as a transmitter of information. Proposed government policies are often aired in the press to condition public approval prior to their adoption. Moreover, the press views, as one of its primary obligations, service to the

* Even so, the general Japanese reaction to defeat was such that no defense in public of Japan's 1937-1945 adventures in China and the Pacific was possible until the late 1960s.

[†] Halloran, Richard, Japan: Images and Realities, New York: Alfred A. Knopp, 1969, p. 169.

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nation. The interlinkage of politicians, businessmen, and the owners and editors of the press is directed by ex officio ties. Moreover, the press prints thoroughly researched articles on domestic and foreign issues designed to educate the Establishment and facilitate the consensus decision-making process. A debatable issue is fair game until after a consensus has been reached. Seldom is a reversal called for once a decision has been made. The extensive network of news reporters serves as an organized grapevine for circulating ideas within the Establishment, and is susceptible to exploitation by clever manipulators.

Generally, domestic news is handled gingerly and in ways to avoid giving the impression of serious dissent within the Establishment. Foreign news is more freely analyzed and criticized. The foreign office often finds articles on foreign news helpful in negotiating with a foreign power. Dispatches critical of American policies in Vietnam, for example, are used by Japanese leaders to resist U.S. pressures for moral and political support of the war. The dispatches are said to represent public sentiments they dare not flout. The press has become highly nationalistic and often expresses this nationalism in anti-American terms. It does not, however, advocate overthrow of the existing order in Japan despite the fact that its anti-American views often coincide with communist propaganda.

With respect to its nationalist philosophy, Japanese media have a different set of criteria for determining which news to disseminate than American media have. The Anglo-American media are influenced by the determination of the public's right to know, its need to know, and the anticipated interest in the information. The Japanese media tend to disseminate news according to the anticipated effects it will have on Japanese society, the political implications, and the consequences for Japan's national interests. Moreover, information on international affairs is chosen according to its probable impact on Japanese diplomacy.

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According to Halloran, "To the Japanese press, news is not a commodity with value to the public and for the public to use as it best sees fit, but as a lever to move subsequent events in the direction the reporter, the editors or the Establishment thinks they should go."^{*}

A distinctive feature of the Japanese press is the multiplicity of "press clubs," powerful organizations that determine who covers the news, what questions are asked, and what information is released to the public. These clubs are examples of the Japanese preference for group action, collective responsibility, careful regulation, and conformity. They exercise a subtle but highly effective form of news control.

F. The Bureaucracies and Their Major Public Welfare Concerns

1. The Composition and Status of the Bureaucracy

The constitution of 1946 led to a new civil service law in 1947 that for the first time resulted in a civil bureaucracy subject to parliamentary controls. From then on the civil bureaucracy has been an object of control by the LDP through partisan promotions and demotions of high civil servants. The LDP also recruits heavily in the civil bureaucracy for candidates to the Diet. The resulting fusion process is threatening the neutrality of the civil bureaucracy and makes careers less attractive to university graduates. The high prestige of civil servants is declining, with business leaders replacing them as the true elites.

The conservative trend is bolstered by the recruitment patterns to government positions. Studies made since 1947 suggest that the children of government officials have more than 50 times as many

^{*}Halloran, Richard, op cit., p. 178.

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chances to attain key career posts as the average Japanese. Their chances of becoming political leaders, cultural leaders, and business leaders have been computed to be, respectively, 95, 50, and 45 times greater.*

When recruitment by examination was introduced in the 1880s, many of the high bureaucratic posts came to be occupied by the graduates of Tokyo Imperial University. The preponderance of Tokyo University graduates in the civil bureaucracy increased over the years relative to graduates from other Japanese institutions of higher learning, perhaps not unnaturally, since Tokyo University was designed as a training school for the bureaucracy.

Service in the civil bureaucracy tended to influence individual attitudes toward the system in accord with the rewards and frustrations experienced. Flagrant discrimination against lower-ranking bureaucrats and favoritism shown those who passed the higher civil service examination produced severe tensions that no doubt contributed to the radicalism exhibited by unions of the government employees after the end of World War II. A perceived need to cope with this radicalism is undoubtedly another motivation behind the LDP efforts to infiltrate the civil bureaucracy.

Traditionally, the public official has had the highest status in society, dating back into history when hereditary officialdom was replaced by a differentiated civil service and military officialdom. Heredity and hierarchy have long shaped the structures and character of Japanese bureaucracy. Following the interlude of military dominance terminated at the end of World War II, the base for political recruitment expanded, then gradually shifted back to bureaucrats. The oligarchic system of government has always blended the individual into the group,

* Inoki, Masamichi, op cit., p. 294.

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so that decisions were and remain collective. Japanese government is a highly developed system of discussion, compromise, consensus, and joint responsibility.

How the modern Japanese bureaucrat views his own role is influenced by a variety of traditions. In a rigidly hierarchical society, the rule is humility before superiors, imperiousness before inferiors. This imperious quality is hardly in keeping with the concept of "civil servant," but it has been generally tempered by discipline, dedication, social constraints on personal ambitions, and a willingness to borrow and try foreign ideas. If the fusion between high civil servants and the leaders of the conservative party continues, the bureaucracy will come to exercise a disproportionately large influence as a nonassociational interest-articulating body. This can undercut the process of interest-aggregation by political parties and inhibit the growth of public faith in the electoral system.

2. Present-Day Welfare Policies and Attitudes

A significant change accompanying the shift from the lineage and family system to that of a society based economically on a nuclear family is the fact that services formerly rendered as mutual obligations among family members are now increasingly a governmental concern. Problems of health and accident disablement or physical handicaps, the special care of mothers and children, the care of the aged, economic insurance for the aged, public housing, unemployment benefits, all are increasingly shifted from the private sector, as the informal arrangements of extended families, to official government responsibility. Increasingly, the government has to play a paternalistic role for those individuals who are not part of the welfare and other forms of security benefits provided in large corporations or even in smaller company units. This is especially apparent in regard to care for the aged, who

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demographically form an increasingly large part of the Japanese society, as they do elsewhere in industrially advanced countries with low death rates.

Ruth Benedict and others have described the previous system of familial loyalties, which bound Japanese together on the basis of reciprocal obligations. For Americans who traditionally have had attitudes of independence, there has been in the past a feeling of ambivalence about the institution of welfare legislation and care by government. The Japanese in their concern with welfare legislation are not as much psychodynamically concerned with independence. They do not fear that people would be corrupted or harmed by welfare legislation. They have been accustomed in the past to interdependent attitudes. They expect, for example, the aged to be dependent on their children and family. This causes them no psychological difficulty. However, there is now a certain amount of tension in Japanese society as to whether the family or the government should take care of the aged.

There is as yet nothing comparable in Japan to the development of rest homes and the use of prefectural or mental hospitals for the housing and custodial care of the aged as is true in the United States. Yet increasingly the nuclear family, living in an apartment, finds it difficult as well as emotionally unnecessary to care for aged parents or relatives. A shift is placing an increasing part of this burden on the government. As this shift becomes an accepted responsibility of the government, there arises increasing criticism of the inadequacy of the benefits provided. Periodically this unrest and criticism is reflected in the Japanese press in articles complaining about the inadequacy of health insurance benefits and pensions for the aged. The prediction would be that a larger amount of money and facilities will have to be provided for such activities in the future or this issue will become a point of serious domestic political contention among the political parties.

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Here the socialist end of the spectrum has a potential domestic issue that they may well exploit more fully in the future.*

3. Japanese Attitudes toward Health: Its Relationship to International as Well as Domestic Policies

A very strongly imbued Japanese tradition relates to biological heredity, the care of the human body, and its potential for contamination. Psychodynamically and socially, Japanese are very fastidious people. They are strongly concerned with disease and contamination, going to greater extremes than those found in American culture to prevent contagion. This issue may not seem to have any immediate political ramifications; however, in the last few years those who sought to make an issue out of the anti-American nuclear treaty found their ideas were most readily received by ordinary Japanese when they could illustrate the possible contaminatory effect of the presence of nuclear weapons on Japanese soil. Robert Lifton has written, for example, on the issue of Hiroshima and the Japanese attitudes about the atomic bomb. Contrary to some easy supposition, the atomic bombing of Hiroshima did not of itself lead to any widespread anti-Americanism in Japan. The issue for the Japanese was not political. It was a question for some of inherited contamination. Radiation sickness aroused in the Japanese a horrendous fear of contamination, possibly to be passed on in marriage. In the Japanese culture the arrangements taking place prior to marriage ensure by an examination of the lineage of a person that the lineage is free of what was in the past strongly considered hereditary diseases such as tuberculosis or problems such as insanity or mental deficiency. Afflicted individuals in the past were often hidden or disguised so that it would

* Morley, James, "Growth for What? The Issue of the Seventies," paper presented at the Second Japanese-American Assembly in Shimoda, Sept. 4-7, 1969.

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not be generally known that a family had a mentally handicapped or physically ill individual.

The American military made a political mistake in bringing soldiers with malaria into Japanese hospitals. This aroused the public again with a terrible fear of potential contamination, as did the visit of nuclear submarines several years back. Stories of water and fish contamination by radioactivity, radioactive rain, and the like, have had very broad currency in Japan--again, because of the arousal of the fear of contamination. The inhabitants of Hiroshima during the period of atomic bombing are still somewhat stigmatized and cannot easily intermarry with other Japanese. They are, in effect, considered a form of parish who can pass on contaminated blood. This issue will continue for some time to influence Japanese military policies.

4. Public Safety: Public Attitudes toward the Police and Military

The police organization in Japan, postwar, was somewhat decentralized by the American Occupation. Trends have been towards a recentralization of the police so as to provide for greater coordination in law enforcement. This has been considered more and more necessary by conservatives in the government and has gained more acquiescence on the part of the public since the recent student unrest. One must not generalize from the American attitudes toward the police to Japanese attitudes. With the exception of the outcastes and the Korean minorities, Japanese generally do not have as negative an attitude towards their local police as found in the United States. There is less social alienation. Local police are very well known personally by people living in particular neighborhoods. It is the policeman in the local police box who is supposed to know where everybody lives and to whom the stranger goes to find out something about the neighborhood. The policeman in

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Japan, therefore, comes closer to performing his actual role of an insurer of public safety. He is not seen by the inhabitants of a neighborhood as an outsider enforcing reprehensible laws or harassing the community, but as a member of the community.

Such relatively positive attitudes toward the police extend to the delinquent population. In research on delinquents in Tokyo, for example, it was found that the police are never seen as brutal or unfair in their punishment of individuals.^{*} As a matter of fact, Japanese police are very professional and impersonal, and at times perhaps too much so. (In the city of Osaka, there was a riot at one time incited by the police spending so much time measuring the tire skids of a car involved in an accident that an injured person was neglected and not immediately taken to a hospital.) The police in Japan, therefore, maintain a nonalienated relationship both in the middle and lower class communities and should not be a source of political or social unrest for the Japanese populace in the future. The students today have pitched battles with police, but the police have kept their discipline.

The military, on the other hand, since the 1920s, has been viewed by the Japanese somewhat ambivalently and with great misgivings, except during the war years, when national survival was felt to be at stake. It has been reported that in the period of the 1920s military personnel in the cities would not wear their uniforms when off duty since they were generally met with social disapproval. Many Japanese suffered either personally or indirectly through the excesses of the military both before and during World War II. There is in Japan, therefore, a very strong and deeply running pacifism relating not only to the

* DeVos, George A., and Hiroshi Wagatsuma, Chapter VII: "Popular Culture: Leisure and Recreation in Shitamachi," Heritage of Endurance, unpublished manuscript, 1970.

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excesses of World War II, but also to the fear of military control within Japan.

The present-day military have not been able to sell the idea to the Japanese public at large that they are the inheritors of the romanticized samurai tradition. Nor have the military academies been able to establish for themselves the type of aura of responsible education that has been true in the United States in respect to West Point or Annapolis. The public, and especially the student bodies of colleges, generally do not accept the self-defense officer training institute as a genuine positive road to a socially accepted career. The usual thinking concerning an individual who chooses to go to a Japanese military school is that he must be an impoverished rural individual who had no other recourse, and, hence, was constrained to use this way to get an education. It is very difficult for a military person in Japan to demonstrate his objectivity and social responsibility in discussions of domestic and international affairs.

It is unlikely that in the foreseeable future these social attitudes will undergo any change. Therefore, in foreign policy, it is doubtful that any public enthusiasm will be aroused by the military self-defense forces in Japan. In sum, the general public draws very considerable distinction between the professional police organizations, which it generally supports, and the self-defense forces, which are looked upon with considerable misgivings.

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Appendix E

JAPANESE-U.S. RELATIONS

I American Views of the U.S.-Japanese Security Treaty

By 1950, after the communist conquest of China and the outbreak of the Korean War, the U.S. became interested in developing the defense of Japan as part of the defense of the Far East area, through indigenous forces and through continued maintenance of American military bases after a peace treaty came into effect. Consequently, in July 1950, General MacArthur suggested to Prime Minister Yoshida that a "National Police Reserve" be formed. The Prime Minister immediately issued the order, and a force of 75,000 was organized. It was renamed in 1952 a "National Safety Corps" and converted in 1954 to the present-day "Self Defense Forces."

Simultaneous bilateral negotiations for a peace treaty and for a separate security treaty between the Japanese and American governments resulted in the signing of both treaties on September 8, 1951. The security treaty provided for the maintenance of U.S. forces and bases in Japan, and authorized their use to quell internal disturbances if requested by the Japanese government. It did not specifically guarantee the security of Japan nor did it require any reciprocal security obligation from Japan.

In subsequent years, the treaty was criticized in Japan because it: (1) permitted the U.S. unlimited use of the bases, regarded as a derogation of Japanese sovereignty; (2) did not specifically guarantee the security of Japan; (3) authorized the use of American troops to quell

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internal disturbance, regarded as interference in domestic affairs; and (4) set no time limit on its validity. A revised treaty was negotiated in 1959 by the Eisenhower and Kishi governments and ratified by the Japanese Diet on May 19, 1960. The riots that followed were the largest-scale ever to occur in Tokyo, causing one death and many injuries, as well as the cancellation of President Eisenhower's planned visit to Japan.

The revised treaty (1) specifically provided an American guarantee of Japan's security; (2) omitted the provision for call-up of American forces in case of internal unrest; and (3) set the term of validity at ten years, at the end of which period either party could give one year's notice of termination. In addition, a separate exchange of notes provided that in certain cases, such as the sending of troops from bases in Japan directly into combat or major changes in equipment or personnel, prior consultation with the Japanese government would be required.

On November 21, 1969, seven months before the designated date for the treaty to become subject to notice of termination, Prime Minister Sato and President Nixon emerged from consultations and issued a joint communique indicating agreement on the reversion of Okinawa, including a statement indicating that both governments favored automatic extension of the security treaty. The U.S. supported the continuation of the treaty, despite criticism from the American side claiming the treaty "one-sided" in that Japan undertakes no reciprocal obligation to defend the U.S. In Japan, alternative proposals were discussed by the Japanese majority party (LDP), such as extension for a specified period of five or ten years. These were discarded, however, since such action would require Diet sanction, and the LDP did not want to present the opposition with the opportunity to obstruct Diet action, such as occurred in 1960.

The Nixon-Sato agreements of November 1969, signed by both governments, can be interpreted as reducing the possible restrictive effect

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of the "prior consultation" requirement. The previous Kishi-Eisenhower agreement of January 19, 1960, specifically stated that the U.S. would take no action contrary to the wishes of the Japanese government with respect to matters involving prior consultation. In the Sato-Nixon communique of 1969, repeated statements expressed the recognition by Japan of the vital relationship between the security of the Far East and that of Japan; specifically, the security of South Korea was considered "essential," and peace and security in the Taiwan area "also important" to the security of Japan. In a speech delivered to the National Press Club in Washington, D.C., on the day the communique was signed, Prime Minister Sato stated that an armed attack on the Republic of Korea would bring a Japanese decision "positively and promptly" as to its position on U.S. forces using Japanese facilities and areas as bases for military combat operations to meet the attack. In cases of emergency, Japan's response to "prior consultation" will probably be "yes." Nevertheless, the U.S. must comply with the "prior consultation" requirements before taking any military action for which such consultations are required. It was also agreed, according to the communique, that after reversion in 1972, the security treaty and its related arrangements would apply equally to the bases in Okinawa as they do to those in Japan proper. Japan seems to be accepting greater responsibility for security in the immediate area than has ever before been the case since World War II.

* In the communique we have for the first time an official Japanese government statement, the recognition that the security of Japan is related to the peace and security of the Far East, and directly related to the ability of the U.S. to carry out its obligations with regard to other countries of the Far East. For an excellent discussion of this and other related points, see United States Security Agreements and Commitments Abroad; Japan and Okinawa, Hearings Before the Sub-committee Abroad on U.S. Security Agreements and Commitments of the Committee on Foreign Relations, U.S. Senate, 91st Congress, 2nd Session, Part 5, January 26, 27, 28, and 29, 1970.

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From the viewpoint of the U.S., the security treaty with Japan is a vital element in the system of alliances now existing in the Pacific area. As much was indicated in the President's "linchpin" description of the U.S.-Japanese relationship. As long as the security treaty remains in effect, the U.S. is guaranteed the use of its important bases in the Japanese main islands and Okinawa as well as important naval ports, such as Sasebo and Yokosuka, utilized by the Seventh Fleet.

The U.S. is hoping that Japan will continue to build up its defense forces so that Japan can assume more responsibility for its own defense. At the present time, there is every indication that the Japanese government will pursue a policy of steady buildup. Japan is not expected by the U.S., however, to revise the constitution, to send military forces overseas, or to build nuclear weapons.* Should Japan for any reason insist on completely independent defense and give notice to terminate the treaty, this would probably signal a policy of full rearmament, including the production of nuclear weapons. The treaty, therefore, by guaranteeing the presence of an American "nuclear umbrella," serves as a brake against Japanese adventures in nuclear armament.

The future of the treaty will, of course, depend upon events in Asia and upon the policies of the American and Japanese governments. The ruling Liberal Democratic Party in Japan has officially declared its intention to maintain the treaty for a "considerable length of time," and no moves for revision or termination are contemplated at the present time. Mr. Yashiro Nakasone, who was a leading Japanese advocate of an

* That the Japanese themselves are ambivalent about nuclear weapons is revealed by changes in answers depending on the form the questions take. If the question is asked, "Should Japan have nuclear weapons," the answer is an over-whelming "No," but if the question is worded, "Will Japan have nuclear armaments by X date?", the positive answers rise substantially.

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independent nuclear capability, stated publicly that the treaty should be reconsidered in 1975 and specified what revisions he had in mind. Since his January 1970 appointment as Director General of the National Defense Agency, however, he now says that continued maintenance of the Security Treaty is one of the cardinal principles of Japan's defense policy.* Nevertheless, agitation will undoubtedly grow in Japan for "independent defense" and particularly for the reduction of American bases and personnel. In accord with the "Nixon Doctrine," and probable military budget reductions, the United States will probably on its own initiative reduce the American military establishment in Japan; certainly some of the present military installations could be either closed out or transferred to the Japan Self Defense Forces without impairing the guarantee implicit in the treaty.

If the two countries are able to manage the "military base problem" skillfully, undue pressures to terminate the treaty may not materialize. Of course, should the situation in Asia, particularly in the Korean Peninsula, or in the posture of the People's Republic of China or the Soviet Union, develop to the point that Japan feels impelled to decide to develop nuclear weapons, the treaty would be an issue for discussion at that time.

II American Views of the Administration of Okinawa

Some Japanese called Okinawa a "cancer" in Japanese-American relations; the American military described it as the "keystone of the Pacific" because of its strategic position. Perhaps these two words, "cancer" and "keystone," best describe the differing points of view regarding Okinawa

* For a detailed discussion of his official news, see the recently approved white paper, Japan's Defense, Japan Defense Agency, October 1970, pp. 20-22.

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and hence symbolize the problems of Okinawa that affect U.S.-Japanese negotiations.

The first American official contact with the Ryukyu Islands was Commodore Perry's visit on May 26, 1853; he proposed that the islands be placed under the "surveillance of the American flag" but the Washington government rejected the suggestion as "embarrassing."

The second American contact with Okinawa was the landing at Kerama on March 26, 1945. The casualties during the battle for Okinawa totaled approximately 50,000 Americans and 250,000 Japanese and Okinawans. On April 5, 1945, Admiral Nimitz issued an order placing the inhabitants of the Ryukyu Islands under the authority of the American forces. American administration of Okinawa can be said to have begun from that date. The evolution of U.S. policy towards and administration of Okinawa dates back to the Cairo Declaration on November 27, 1943, which proposed that Japan be stripped of the islands in the Pacific taken since 1914 and of territories "stolen" from China. The Potsdam Declaration of July 26, 1945, reaffirmed the Cairo Declaration and restricted Japanese sovereignty to the four main islands and "such other small islands" as may be determined by the allies.

The islands were administered as occupied enemy territory, and in the first years after the Japanese surrender were largely forgotten in the American concentration on the occupation of Japan. During this early period it was uncertain whether the islands would be retained by the United States, be declared independent, or be returned to Japan. General MacArthur is said to have stated at a press conference in June 1947 that he could not believe that there was opposition among the Japanese to the retention of Okinawa by the United States "because the Okinawans are not Japanese." When Okinawan political parties first made an appearance in the summer of 1947, they advocated independence rather than reversion.

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Continuation of military occupation diminished the desire for independence or permanent United States control, and the reversion movement developed strength, especially from 1950. In 1949, the Communists took over China and in 1950 the North Koreans crossed the 38th parallel. Military bases in Okinawa acquired an importance they had never had before.

By 1951 the reversion movement was significant. United States and Japanese delegates at the San Francisco Peace Conference were provided with petitions signed by 72 percent of the eligible voters on Okinawa favoring return to Japan. During the conference at San Francisco, on September 5, 1951, John Foster Dulles stated that Japan would be permitted to retain "residual sovereignty" over the islands. Prime Minister Yoshida welcomed this pronouncement, and since that time the eventual return of the islands to Japan has never been questioned.

Authority for American administration of the islands derives from Article 3 of the peace treaty with Japan, which entered into force April 28, 1952. The article provided that Japan would concur in any proposal to put the Ryukyu and the Bonin Islands under the United Nations trusteeship system, with the United States as the sole administering authority. It further stated that until such time, the United States would have "the right to exercise all and any powers of administration, legislation, and jurisdiction over the territory and inhabitants of these islands, including their territorial waters." No proposal for trusteeship was ever made.

The importance of the bases to the security of the Far East was continually stressed. Vice President Nixon said in November 1953 that as long as there is a communist threat, the United States must retain Okinawa; he added that if the United States were to leave Okinawa, it would mean the United States was leaving Asia. President Eisenhower, in

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his State of the Union message in 1954, stated that the United States would maintain bases on Okinawa "indefinitely."

The administrative organization for the Ryukyu Islands, existing to this day, was established on June 6, 1957, through issuance of Executive Order 10713, which in some ways can be considered the "constitution" for the islands. The order gave the powers of administration to the Department of Defense, which in turn delegated them to the Department of the Army. It provided for a High Commissioner, to be designated by the Secretary of Defense after consultation with the Secretary of State and approval of the President, and for a Civil Administrator, whose powers and duties were to be assigned by the High Commissioner. The order was later amended to make the Civil Administrator a civilian. The order established a unicameral legislature, provided for a Chief Executive, set up a court system, gave the High Commissioner veto powers over legislation, and guaranteed to the people of Okinawa the basic liberties of speech, assembly, petition, religion, and press, as well as security from unreasonable searches and seizures, and from deprivation of life, liberty or property without due process of law.

In succeeding years, the evolution of policy with respect to Okinawa can be followed in a series of communiqués and statements issued by successive presidents of the United States and prime ministers of Japan.

On June 21, 1957, after a meeting in Washington, Prime Minister Kishi joined President Eisenhower in a communiqué containing several statements about Okinawa. The Prime Minister emphasized the strong desire of the Japanese people for the return of administrative rights over Okinawa and the Bonin Islands. The President repeated the position that residual sovereignty belongs to Japan, but pointed out that the United States must recognize the necessity to continue the present position as long as a situation of threat and tension exists in the Far East. The

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President also explained that the United States would continue to follow a policy of improving the welfare of the people of the islands and furthering their economic and cultural development.

In June 1961, President Kennedy met Prime Minister Ikeda. The references to Okinawa in the resulting communiqué differed from those of the previous Kishi-Eisenhower statements in that no mention was made of the Japanese people's hope for reversion and, instead of references solely to United States responsibility for the welfare of the people, the need for Japanese cooperation in welfare activities was stressed. The American position on residual sovereignty was again stated.

On March 12, 1962, President Kennedy issued a policy statement on Okinawa which contained a statement critical to the American administration of the islands. In addition to announcing several amendments to the Executive Order, President Kennedy said, "I recognize the Ryukyus to be a part of the Japanese homeland and look forward to the day when the security interests of the free world will permit their restoration to full Japanese sovereignty." Neither the word "homeland" had ever before been used nor such a specific statement about reversion been made. The President further proposed certain actions designed "to minimize the stresses that will accompany the anticipated eventual restoration of the Ryukyu Islands to Japanese administration."

To increase the developing cooperation between Japan and the United States with respect to Okinawa, a joint U.S.-Japan Committee was later set up to coordinate the economic assistance programs of the two countries; at the same time a Technical Committee was established in Okinawa to work out details for implementing a Japanese and American aid program.

Following a January 1965 meeting between Prime Minister Sato and President Johnson in Washington, a communiqué was issued on January 14, expressing recognition for the first time by both Japan and the United

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States of the importance of the military bases to the security of the Far East. At the same time agreement was announced to broaden the scope of the Joint Committee to include "other matters" that would promote the welfare of the inhabitants of the Ryukyu Islands.

On November 15, 1967, after a second meeting with President Johnson, Prime Minister Sato joined in a communiqué in which several agreements were announced. The President declared that the Bonin Islands would be returned;* second, he promised that the Okinawan problem would be kept under continuous consideration "with a view to the return of the administrative rights to Japan." The communiqué also announced the establishment of a tripartite advisory committee to sit in Okinawa and to consist of high-ranking representatives of the governments of Japan, the Ryukyu Islands, and the United States. The committee was to consider and advise on social and economic problems affecting the people of Okinawa; it was not to take up political problems or matters outside the competence of the High Commissioner.

It is useful to note the two principal political problems that have concerned the United States, as well as Japan and Okinawa. These problems, frequently confused and sometimes difficult to separate, are autonomy and reversion.

General Caraway, when High Commissioner in 1963, delivered a speech that he entitled "The Myth of Autonomy," expressing doubts as to the competence of the local Okinawan government to assume rapidly increasing responsibilities.

Since that time, under the regimes of General Watson, General Unger, and General Lampert (presently High Commissioner), much progress has been

*The Bonin Islands were returned to Japan on June 26, 1968.

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made in devolving a greater degree of autonomy to the Government of the Ryukyu Islands (GRI). One of the first official actions of General Watson was to reduce by one third the number of HICOM ordinances and to eliminate parts of others. General Unger continued this policy, and early in 1967 he announced that 29 ordinances would be abolished as soon as the Legislature passed substitute legislation. During 1967, six of these ordinances were rescinded, and others have been successively abolished as the Ryukyuan Legislature acted to replace them. By 1969 direct American rule was minimal.

One persistent demand for many years has been the direct election of the Chief Executive. The Executive Order originally provided for the appointment of this official by the High Commissioner; in 1962, the Order was amended to provide for nomination by the Legislature; in 1963 the Order was again amended to provide for election by the Legislature; finally, on February 1, 1968, General Unger announced further amendment of the Order to provide for direct election of the Chief Executive. The first election under this revised procedure took place in November 1968, when Chobyō Yara won by a comfortable margin, receiving the combined support of the opposition parties.

The problem of reversion has, of course, been the principal political issue. All political parties, both in Japan and in Okinawa, have favored reversion to Japan. The only differences among them have been of time and condition. The Left wanted total and immediate return; the Government parties recognized the importance of the bases and therefore advocated separation of the bases from the administrative rights. The latter wanted return of the administrative rights as soon as possible, but were willing to negotiate with the United States.

The American military bases formed the crux of the problem. The United States-Japan security treaty was not involved, since the

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restrictions that it imposes on bases in Japan proper are not operative in Okinawa. These restrictions provide that, without prior consultation with the government of Japan, the United States cannot make major changes in equipment or in the deployment of personnel and cannot use the bases for military combat operations for other than the defense of Japan. The phrase "major changes in equipment" is understood to refer to the introduction into Japan of nuclear weapons.

Although the security treaty does not apply to the bases in Okinawa, the fact that it can be terminated by either Japan or the United States after 1970 made both reversion and the extension of the treaty political problems of great sensitivity and of critical importance to the Sato Government.

In the Joint Communiqué issued after his conversations with President Johnson in November 1967, Prime Minister Sato stated that agreement should be reached "within a few years" on a date for reversion to Japan of the administrative rights. In the Japanese text, the phrase "ryo-san-nen" was used, which was directly translated as "two or three years."

Between 1967 and 1969, the discussion on Okinawa intensified in both Okinawa and Japan. Although Prime Minister Sato publicly assumed the posture of maintaining a "clean slate" on the question of nuclear weapons after reversion, it became clear that public opinion in both Japan and Okinawa was overwhelmingly in favor of the application of the security treaty to Okinawa and the exclusion of nuclear weapons. The watchword became "kuku-nuki, hondo-nami" (no nuclear weapons; homeland level), and all public opinion polls showed preponderant support for this position.

For the United States the dilemma became one of preserving the security value of the bases on Okinawa while recognizing the political problem for the Japanese government and encouraging the survival of a pro-American Liberal Democratic Party administration in Japan. The

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United States was reluctant to give up the right of free use of the Okinawan bases, including the right to store and transport nuclear weapons without asking permission from the Japanese government. However, recognition of the priority of a friendly relationship with Japan overcame objections.

In their Washington meetings in November 1969, President Nixon and Prime Minister Sato agreed that reversion of the administrative rights to Japan would take place in 1972 and that the security treaty and its related arrangements would apply to the bases on Okinawa after reversion. Thus, the joint communiqué signed on November 21 represented, in effect, acceptance of the Japanese position of "no nuclear weapons, homeland level" and institution of the prior consultation system for use of the bases after reversion. That Japan recognized, however, the security value of the Okinawan bases was reflected in the following communiqué statements describing Prime Minister Sato's expressed views:

- (1) "... that it was important for the peace and security of the Far East that the United States should be in a position to carry out fully its obligations"
- (2) "... that the presence of United States forces in the Far East constituted a mainstay for the stability of the area"
- (3) "... that the United States forces in Okinawa play a vital role in the present situation in the Far East"
- (4) "... that security of Japan could not be adequately maintained without international peace and security in the Far East"
- (5) "... that the security of countries in the Far East was a matter of serious concern for Japan"

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- (6) "... that the return of the administrative rights over Okinawa should not hinder the effective discharge of the international obligations assumed by the United States for the defense of countries in the Far East, including Japan."

The communiqué further included an affirmation by the Prime Minister that the "security of the Republic of Korea was essential to Japan's own security" and that the "maintenance of peace and security in the Taiwan area was also a most important factor for the security of Japan."

Regarding South Korea and Taiwan, the Prime Minister was more specific in a speech he delivered at the National Press Club in Washington on the day the communiqué was signed:

"In particular, if an armed attack against the Republic of Korea were to occur, the security of Japan would be seriously affected. Therefore, should an occasion arise for United States forces in such an eventuality to use facilities and areas within Japan as bases for military combat operations to meet the armed attack, the policy of the government of Japan towards prior consultation would be to decide its position positively and promptly on the basis of the foregoing recognition.

"...should unfortunately a situation ever occur in which such treaty commitments [U.S. treaty commitments] would actually have to be invoked against an armed attack from the outside, it would be a threat to the peace and security of the Far East including Japan. Therefore, in view of our national interest, we would deal with the situation on the basis of the foregoing recognition, in connection with the fulfillment by the United States of its defense obligations."

* Both the communiqué and the Sato speech as well as a "backgrounder" by the Under Secretary for Political Affairs, U. Alexis Johnson, are set out in the Hearings Before the Sub-committee on U.S. Security Agreements, op cit.

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Sato added that he was glad that such a situation (in the Taiwan area) could not be foreseen today.

The communiqué also indicated agreement that should the war in Vietnam not have terminated at the time reversion was scheduled to take place, the governments would consult "in the light of the situation at that time so that reversion could be accomplished without affecting the United States efforts to assure the Vietnamese people the opportunity to determine their own political future without outside interference."

With some justification, critics of the agreements in Japan have said that the communiqué means one thing to the Americans and another to the Japanese, that while the Japanese government claims it achieved "no nuclear weapons, homeland level," the American government can claim Japan will cooperate in future crises in Asia.

It seems fair to conclude that this is the best agreement the United States could have hoped for. In any future East Asian crisis, Japanese cooperation would be essential, whether or not an obligation for prior consultation existed. If Japanese-American relations are close enough and consultation is continuing, no difficult problem will arise out of the prior consultation system. If the Japanese government should not wish to be cooperative, or if an opposition party should at some time gain control of the government, there would be little the United States could do about it.

The period 1970-1972 will be an important one in Japanese-American relations. Japan has agreed to assume responsibility for the defense of Okinawa after reversion. During this interim period, in consultation and cooperation with the United States, the Japan Self Defense Forces will make plans and work out the framework of their establishment in the post-reversion period and how their role will mesh with that of the United States forces remaining on the bases. At the same time, the

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numerous complex problems involved in the separation of the administrative rights from the maintenance of the bases must be resolved through negotiation.

Increasingly, Japan will face problems in Okinawa that in the past have been the concern of the United States. Unless the transition is smooth and economic adjustments are successful in maintaining a level of livelihood and welfare not appreciably lower than that under American administration, the Japanese government will experience growing troubles. It will be difficult for Okinawans to return to the status of "just another prefecture" after knowing a standard of living considerably higher than in prewar days along with certain autonomy and, in fact, treatment as a "foreign country."

Insofar as general relations with the United States and the position of the Sato Cabinet are concerned, the Okinawa agreements were an outstanding success. Japanese public opinion regarding foreign affairs has to be a considerable degree turned from concentration on Okinawa to agitation for the return of the "northern territories" from the Soviet Union. Furthermore, much steam has been taken out of the so-called "1970 crisis." While annual renewal of the security treaty beyond 1970 will undoubtedly continue on each occasion to provoke some demonstrations and violence by the Left, the extent and degree of the disruption will be far less than would have been the case had the "Okinawan problem" been added to the "treaty problem" in the "crisis of 1970."

III Independence of Japan

The decade of the 1970s will be characterized by a trend toward greater independence on the part of Japan. There will be less ready acceptance of American positions, more questioning of cooperation with the United States, and more emphasis on Japanese national interests.

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This attitude is evident now in the current negotiations on economic questions between the United States and Japan. In spite of powerful pressures brought to bear by the United States government and business and industrial leaders, Japanese attitudes toward capital liberalization, import controls, and, in particular, the textile problem, have revealed stubborn Japanese resistance, which Americans call obstinacy, but which the Japanese consider as necessary for protection of their own economic and national interests.

Japan's foreign political policies will continue to be affected by two conflicting influences; one is inspired by growing national confidence, restiveness over too much dependence on the United States, and a desire for greater defense capacity. Another influence opposes increased defense, advocates phasing out of the Security Treaty, ~~favoring~~ possible relations with the People's Republic of China, and places major reliance for the future on "peace diplomacy" and the "peace constitution" rather than collective security and large defense. In addition, there are minority extreme forces on the Right that call for full rearmament and nuclear weapons, and on the Left that propose termination of the Security Treaty and unarmed neutrality. Regardless of the differences in opinions and attitudes from Left to Right, most Japanese are "nationalists": they want a peaceful, prosperous, and independent Japan. Consequently, any Japanese government will be under pressure to cut the apron strings with the United States. This does not mean the adoption of hostile attitudes or policies; the United States will presumably continue to be Japan's principal trading partner, and the fundamental elements of close cooperation will remain strong. The "independent" attitudes will translate themselves into differences on security policies, relations with the PRC, or other specific issues that may arise.

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IV United States Policy

As indicated in President Nixon's message to Congress, "Foreign Policy for the 1970's," the United States expects Japan to assume increased responsibilities in the coming decade: "Japan, as one of the great industrial nations of the world, has a unique and essential role to play in the development of the new Asia." However, although the President calls a sound relationship with Japan "crucial," he makes it clear that "we shall not ask Japan to assume responsibilities inconsistent with the deeply felt concerns of its people." This evidently means that the United States would not now ask Japan to play a security role in Asia. Revision of the constitution and removal of the "no war clause" of Article 9 are therefore not anticipated, nor would the United States press Japan to join security pacts or assume military obligations outside the home islands. The United States would, however, welcome a further buildup of the Japan Self Defense Forces and certainly hopes that Japan will rapidly assume a growing burden of economic cooperation in Southeast Asia. The United States also hopes Japan will participate in any peacekeeping arrangements that might be set up as the hostilities in Vietnam come to an end. Japan accepted the latter obligation in the joint communiqué signed in Washington in November 1969.

The evolution of future American policy vis á vis Japan will be strongly influenced by events in Northeast and Southeast Asia. Crises in the Korean Peninsula or in the Taiwan area, or stepped-up belligerency and threats from the PRC or the Soviet Union, would probably result in stronger moves by Japan to increase defense preparations and be ready to use the SDF for defensive action if necessary. Japan's recognition, in the Sato-Nixon communiqué, of the importance of Korea and Taiwan to Japanese security establishes a basis for such policy and action. If Japan responded, and the results were successful, one consequence might

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be a change in Japanese policy to rationalize some participation in regional collective defense arrangements. In such an eventuality, American commitments in the area might be re-examined. The present bilateral treaties with South Korea, Taiwan, and Japan might possibly be replaced by a security agreement in which defense responsibilities would be shared among the ROK, Taiwan, Japan, and the United States. The conclusion of such an arrangement to include the government of Taiwan presupposes some agreement on China and acceptance of a de facto independent regime on Taiwan. Without such an agreement, a narrower cooperative arrangement confined to South Korea, Japan, and the United States is conceivable. It should be emphasized that while this scenario is a possible development over the next decade, its likelihood appears at the moment to be small indeed. First, it is doubtful that Japanese policy would change so drastically as to accept participation in an international security pact; and second, any such regional grouping would appear hostile to the PRC and the USSR and would negate diplomatic efforts to improve relations with them. Therefore, such an eventuality seems conceivable only as a defensive response to serious threats or actions originating directly or indirectly from one of the two principal Communist powers.

The American position in Asia will be importantly conditioned by the outcome of hostilities in Vietnam. In any case, however, it appears at present that not only will there be substantial reductions of U.S. bases and personnel in various countries in Asia, but changes in treaty commitments may take place before the end of the decade. The importance of Japan, both in Asia and in relation to the United States, is not likely to diminish. With a presently projected GNP of \$500 billion by 1980 and greatly expanded political and economic relations, particularly in Asia, Japan's power will probably be the single most important element in Pacific Asia. Consequently, the interests of the United States will require, more than ever before, a strong, solid relationship with Japan.

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Presumably, the United States will regard the security treaty structure with Japan first among American commitments in Asia. Changes will undoubtedly come about, as noted, on both Japanese and American initiative; bases and stationed forces on the main islands of Japan may all but disappear, and the essence of the Japanese-American relationship may approach in substance the Anglo-American alliance--its reality existing less in treaty language than in assumed but unwritten obligation. This could be in the American interest. Thus the United States will still desire a mutual security alliance with Japan in 1980, although the form and structure may be different. There are alternatives to some form of treaty but none seem plausible. The PRC might develop faster than expected and challenge Japan's economic power in Asia; however, in spite of the PRC's nuclear weapon and the rapidity of events in modern times, this does not seem to be a likely outcome within ten years.

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Appendix F

JAPAN'S REGIONAL RELATIONSHIPS*

In this analysis, the countries of the East and South Asia region have been grouped into four categories: (1) the Communist countries, (2) the Northeast Asian states, (3) the Southeast Asian states together with Australia and New Zealand, and (4) the South Asian states. Relations of Japan with each of 21 states are reviewed, the results being summarized in Table 1. Next, the prospects for continuation or development of interstate rivalries or alliances are assessed and the results set out in Table 8. Finally, from a view of the existing rivalries and the elements that enable or restrain actions that might lead to conflict, projections are made as to the principle issues and conflict prospects. These are summarized in Table 9.

I Interstate Rivalries and Disputes (Table 7)

A. Political Incompatibilities

In Table 7 it will be noted that although there are some accordant objectives and policies between Japan and all of the states of the region, serious incompatibilities exist with three (the USSR, the PRC, and North Korea) and moderate incompatibilities exist with six (North Vietnam, the ROK, the Republic of China, South Vietnam, Cambodia,

* The detailed discussion is available as a part of the working papers on file with the USAF (AFXDOC).

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and Indonesia). Few incompatibilities exist between Japan and the remaining countries of the region.

B. Ongoing Military Intervention

Military intervention at present is not a serious problem (Tables 7 and 8). The USSR frequently harasses Japanese fishing fleets and probes Japan's Air Defense Identification Zone (ADIZ). Japan supported the UN forces in the Korean war and has provided logistic backup to U.S. forces in Vietnam. From the Communist nations' viewpoint, the U.S., with Japan's "connivance," is intervening militarily in the internal affairs of not only Japan, but the ROK, the PRC (by aiding the Republic of China), Vietnam, Laos, Cambodia, and Thailand. In the PRC's view, the USSR is intervening militarily in the PRC border dispute; meanwhile, the latter is providing military aid to North Vietnam, whose forces in turn are intervening in Laos and Cambodia. However, ongoing military intervention cannot be said to be a problem in other states of the region.

C. Territorial Rivalries

With the November 1969 U.S. agreement to return control of Okinawa to Japan in 1972, the major territorial problem remaining that involves Japan is the dispute between Japan and the USSR over the "northern territories." Other bilateral territorial disputes exist between various states of the region, but none involves Japan directly since it has renounced all of its prior claims, except those to the "northern territories" and Okinawa.

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State	Objectives and Policies			Interstate R
	Overlapping	Divergent	Military Intervention	Territorial Rivalries
<u>Commonwealth States</u>				
1. <u>China</u>	Political, economic, diplomatic	<u>Serious</u> --Japan, U.S. ally	WWII + atomic bombs + overflights	northern Territories
2. <u>PRC</u>	Economic, cultural relations	<u>Serious</u> --Japan, U.S. ally and its rela. w/Taiwan	WWII	Renounced
3. <u>N. Korea</u>	Trade only	<u>Serious</u> --no dipl. rela. Japan, U.S. ally (N. Korea ally of PRC)	Pre-WWII, Korean War (support)	Renounced
4. <u>S. Vietnam</u>	Trade only	<u>Moderate</u> --Japan, U.S. ally (the reluctant) (SVN ally of PRC)	WWII (and support U.S. VN war)	Renounced
<u>Southeast Asian States</u>				
5. <u>Republic of Korea</u> (S. Korea)	Develop close dipl., pol., and econ. ties	<u>Moderate</u> --diff in perception of threat--Japan avoids security commitment; also continues rela. with PRC	Pre-WWII logistic support (Korean war)	(one small island)

Note: States considered most important to Japan are underlined.

Table 7

STATUS OF JAPAN'S REGIONAL RELATIONSHIPS IN THE FAR EAST

Country	Interstate Rivalries or Disputes			Enabling and Restraining Factors			Overall Status
	Territorial Rivalries	Geopolitical Rivalries	Political Intervention (National Attitudes Toward Japan)	Relative Military Power	Alliances and Agreements	Geography	
China	"Northern Territories"	Influence in Far East	Ambivalent	Super power	No peace treaty; no dipl. rel.; econ., cult. only	Far Pacific neighbor	N
North Korea	Renounced	Influence in Far East	Ambivalent	Offensive power weak (econ. weak)	No peace treaty, no dipl. rel.; econ., cult. only	Close--across Yellow L. China Seas	Y
South Korea	Renounced	Sovereignty of Korean Peninsula ("dagger"--Japan)	Residual animosity	Rel. equal	None	Close--across Japan Sea	Y
North Vietnam	Renounced	--	Residual animosity	NVN greater	None	NVN is PRC neighbor	Y
South Vietnam	(one small island)	Japan recog. security of ROK essential	Residual animosity	ROK larger	Treaty on Basic Rel. signed in '63, pol., econ., aid agmt.	Closest neighbor	Y

Training Factors

Why	Political Intervention of Military	Capability of International Bodies to Cope	Remarks
nearest waters	No	UN--poor	Tendency toward improved relations--depending greatly on U.S.-Japan, U.S.-PRC, and USSR-CPR relations.
and China	Yes	None	Up-and-down relationship; internal pressures toward closer relations; current tendency toward betterment--depending largely on Peking.
	Yes	None (UN orgn ineffective)	Some sentiment in Japanese political opposition for N. Korea--still sizeable Korean minority in Japan (favoring North), but Japan committed politically to ROK.
	Yes	None (Armistice Team ineffective)	Japan looks to possible peace role after war ends, has some sympathy for and some informal relations with Hanoi.
neighbor	Yes	UN--good ASPAC--good	Trend toward improved relations; P.M. Sato indication in Washington D.C. Nov. '69 re concern for security of ROK.

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State	Objectives and Policies		Military Intervention	Inter Territ Rival
	Overlapping	Divergent		
6. Republic of China	Political, economic, diplomatic, cultural relations	Moderate--Japan continues relations w/PRC	Pre-WWII	None
<u>SE Asian States</u>				
7. So. Vietnam	Political, economic relations	Moderate--Japan continues relations w/PRC	WWII (and logistic support U.S. forces in Vietnam)	None
8. Cambodia	Dipl., trade	Moderate--Cambodia neutralist, fairly close rels. w/ PRC	WWII	None
9. <u>Indonesia</u>	Political, economic trade, aid, int. in stability	Indonesia would like Japan to be reg. leader in NE Asia	WWII	None
10. Laos	Dipl. trade	Moderate--Laos neutral, under threat PRC, NVN	WWII	None

Table 7 (continued)

Political Intervention International Attitudes (toward Japan)	Relative Military Power	Enabling and Restraining Factors			Political Intervention of Military	Capability of International Bodies to Cope	
		Alliances and Agreements	Geography				
Highly favorable	Republic of China	Peace treaty; pol., econ., aid agreements	Fairly close (Taiwan strategic location on trade route to SE)	Yes	UN--good ASPAC--good UN--good		Trend fav future (a right for
Favorable	So. Vietnam larger	Reparations, 1959 (all VN)	Historical Japanese interest in SEA	Yes	UN--poor		No major is region stance; it recovery
Neutral	Cambodia weak	Peace treaty, dipl. conv., 1952	Historical Japanese interest in SEA	Yes	UN--poor		Japan too recovery
Neutral	About equal	Peace treaty, 1958 pol., econ., trade aid, air	Malacca Str. of key interest Japan shipping	Yes	UN--fair ASEAN--fair		Main part entire Pa probably cations; ship has internal
Neutral	Laos weak	Peace treaty, dipl., 1952	Minor interest	Yes	UN--poor (Armistice Team ineffective)		Japan may covery, i



of		
Political Intervention of Military	Capability of International Bodies to Cope	Remarks
Yes	UN--good ASPAC--good UN--poor	Trend favorable--depending on PRC actions in future (also possibility of internal change that might force PRC recognition by Japan).
Yes	UN--poor	No major conflicts after VN; Japan will not join in regional military pact but may provide assistance; it looks to assisting in post-Vietnam-war recovery for all of SE Asia.
Yes	UN--poor	Japan looks to assisting in post-Vietnam-war recovery for all of SE Asia.
Yes	UN--fair ASEAN--fair	Main partner of U.S. in coop movement embracing entire Far East, though (except local orgns) will probably avoid those orgns having security implications; Japanese-Indonesian political relationship has a future, providing the latter can avoid internal troubles.
Yes	UN--poor (Armistice Team ineffective)	Japan may assist economically in post-VN recovery, if peace also comes to Laos.

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State	Objectives and Policies		Interstate Rivalry	
	Overlapping	Divergent	Military Intervention	Territorial Rivalries
11. <u>Malaysia</u>	Pol., econ., trade, aid, stability, coop for peace, prosperity of region	Minor	WWII	None
12. <u>Singapore</u>	Pol., econ., trade, aid, coop for peace, stability in region	Minor	WWII	None
13. <u>Philippines</u>	Pol., econ., trade, aid, coop for peace, stability in region	Minor	WWII	None
14. <u>Thailand</u>	Close dipl., pol., econ. relations	Minor	WWII	None
15. <u>Australia</u>	Close dipl., pol., econ. relations-- Japan's top trading partner	Minor	--	None

Table 7 (continued)

Political Issues	Enabling and Restraining Factors					Capability of International Bodies to Co
	Political Intervention (National Attitudes Toward Japan)	Relative Military Power	Alliances and Agreements	Geography	Political Intervention of Military	
-	Moderate	Malaysia weaker	Reparations, 1967, trade, aid, air services	Interest in Malacca Str.	No	UN--good ASPAC--good ASEAN--good
-	Moderate	Singapore weak (after UK withdrawal)	Reparations, 1967, trade, aid, air services	Port of strategic significance	No	UN--good ASEAN--good
-	Residue of animosity	PI weaker	Peace treaty 1952, econ., trade, aid, air services	PI key island nation in Pacific, SE Asia	No	UN--good ASPAC--good ASEAN--good
-	Relatively favorable	Thailand weaker	Peace, 1952; "spec. yen," cult., air serv., econ. trade, aid	Thailand key SE inde- pendent state	Yes	UN--good ASPAC--good ASEAN--good
-	Moderate	Australia weaker	Peace '52, econ., trade, air	Australia, Japan both Pacific- minded	No	UN--good ASPAC--good

Straining Factors

<u>Category</u>	<u>Political Intervention of Military</u>	<u>Capability of International Bodies to Cope</u>	<u>Remarks</u>
an r.	No	UN--good ASPAC--good ASEAN--good	Prospects are good for continued excellent relations, including closer association in political-economic regional organizations.
strategic m	No	UN--good ASEAN--good	Prospects are good for continued excellent relations; Singapore looks to Japan as an economic model, seeks help in technical and economic development, but desires no security alignment.
and Pacific,	No	UN--good ASPAC--good ASEAN--good	Prospects are good for continued good relations. (PI, like Australia, New Zealand, So. VN, Korea, Taiwan, and Japan, is allied with the U.S.).
is inde- ste	Yes	UN--good ASPAC--good ASEAN--good	Prospects for continued good relations, depending somewhat on stability in SE Asia, solution of VN war, and actions of CPR, as well as insurgents.
Japan c-	No	UN--good ASPAC--good	Bilateral relations improving, especially trade; Australia also interested in Japan's help in multilateral organs but against Japan playing dominant role.

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State	Objectives and Policies			Interstate
	Overlapping	Divergent	Military Intervention	Territorial Rivalries
16. <u>New Zealand</u>	Close dipl., pol., econ. relations	Minor	--	None
<u>South Asian States</u>				
17. <u>Afghanistan</u>	Minor--no regional activities	Minor	--	None
18. <u>Burma</u>	Close econ. coop; no political strings; no regional activities	Burma desires to avoid involvement reg. activities	WWII	None
19. <u>Ceylon</u>	Minor--no reg. activities	Minor	--	None
20. <u>India</u>	Seek closer econ., possibly political coop.	Minor	--	None
21. <u>Pakistan</u>	Some interest in econ. coop--no reg. activities	Minor	--	None

A

Table 7 (concluded)

Area of Disputes	Enabling and Restraining Factors					Capability Internati Bodies to
	Political Intervention (National Attitudes Toward Japan)	Relative Military Power	Alliances and Agreements	Geography	Political Intervention of Military	
no	Moderate	NZ weaker	Peace '52, econ., trade, air	NZ Pacific outpost	No	UN--good ASPAC--good
no	Moderate	Afghanistan weaker	Peace, dipl., 1952	Border USSR, Pakistan	No	UN--fair
no	Relatively favorable	Burma weaker	Peace, '52, econ., trade, aid	Burma part of area as well as South Asia	no	UN--fair
no	Moderate	Ceylon weaker	Peace, dipl., 1952	--	No	UN--good
no	Relatively favorable	India larger	Peace, dipl., 1952; econ., trade, aid, cult., air	--	No	UN--good
no	Moderate	Pakistan somewhat larger	Peace, dipl. 1952; cult., econ., trade, air	--	Yes	UN--good

Guiding Factors

Category	Political Intervention of Military	Capability of International Bodies to Cope	Remarks
Outpost	No	UN--good ASPAC--good	Some apprehension re a revived Japanese militarism.
	No	UN--fair	Relatively minor.
SE Asia South	Yes	UN--fair	Were Japan to adopt a more positive political or military role in SE Asia, Burmese leaders might be inclined to withdraw from close economic relations with Japan.
	No	UN--good	Relations chiefly economic and relatively minor.
	No	UN--good	As two of largest nations in free Asia, re possibility of profitable political as well as economic cooperation in the future.
	Yes	UN--good	Future depends somewhat on Pakistan relations with PRC and with India.

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Table B

PROSPECTS FOR CONTINUANCE OR DEVELOPMENT OF INTERSTATE RIVALRIES OR ALLIANCES IN 1970s

a.	b.	c.	d.	e.	f.	g.	h.	i.	
State	Policy Incompatibility	Military Intervention	Territorial Rivalries	Geopolitical Priorities	Residual Animosity	Enabling vs. Restraining Factors	Conflict Prospects	Alliance Prospects	Remarks
<u>Japan-Communist States</u>									
USSR	H	L	M	M	H	-	L	N/A	Japan alliance with U.S. key constraint, USSR unlikely to attack Japan or vice versa.
PRC	H	L	L	M	H	O	M	N/A	Some uncertainty re possible PRC nuclear coercion vs Japan.
No. Korea	H	L	L	M	H	O	M	N/A	Uncertainty re No. Korean behavior.
No. Vietnam	H	L	L	L	H	-	L	N/A	Japan has no important interest in No. Vietnam.
<u>Japan-Northeast Asian States</u>									
ROK	H	L	L	L	H	-	L	L-M	Alliance Japan & ROK with U.S. & ROK geographic position key elements.
Rep. of China	H	L	L	M	L	-	L	L-M	Alliance Japan & ROC with U.S. & ROC geographic position key elements.
<u>Japan-Southeast Asian States</u>									
So. Vietnam	H	M	L	L	L	-	L	L	U.S. alliance with Japan key element.
Cambodia	H	L	L	L	H	-	L	L	No. VN and PRC interest in Cambodia plus its geography most important.
Indonesia	H	L	L	M	M	-	L	L-M	Geography plus leaders' orientation key elements.
Laos	L	L	L	L	M	-	L	L	Geography plus U.S. assistance key elements.
Malaysia	L	L	L	L	M	-	L	L-M	Geography plus U.S. alignment important.
Singapore	L	L	L	L	M	-	L	L-M	Geography plus Commonwealth ties important.
Philippines	L	L	L	L	H	-	L	L-M	Alliance with U.S. by both Philippines and Japan key elements.
Thailand	L	L	L	L	L	-	L	L-M	Alliance with U.S. by both Thailand and Japan plus geography most important.
Australia	L	L	L	L	M	-	L	L-M	Alliance with U.S. and Australia's relations with Japan and Southeast Asia most important.
New Zealand	L	L	L	L	M	-	L	L-M	Alliance with U.S. and ties with Commonwealth plus geography important.
<u>Japan-South Asian States</u>									
Afghanistan	L	L	L	L	L	-	L	L	Restiveness plus geographic position important.
Burma	L	L	L	L	L	-	L	L	Geographic position plus orientation of leaders most important.
Ceylon	L	L	L	L	L	-	L	L	Restiveness plus geographic position important.
India	L	L	L	L	L	-	L	L-M	Both states have large resources.
Pakistan	L	L	L	L	L	-	L	L	Close relations of Japan with Pakistan constrained by latter's relations with PRC and its conflict with India.

Legend:

H--High
M--Medium
L--Low

- Alliance prospects are not "medium" but are higher than prospects for other countries listed as "low."

- Enabling or restraining factors for conflicts.

- Restraining or enabling factors for conflicts.

- Relative standoff in enabling factors.

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D. Geopolitical Rivalries

The major geopolitical rivalries center on Japan's attitudes, policies, activities, and influence in four areas: (1) as the Far East "linchpin" in the East-West conflict, (2) in the PRC-USSR conflict (also involving the U.S. and the Republic of China), (3) in the multinational economic competition in Southeast Asia, and (4) as a major economic and hence potential political power. A potential source of rivalry lies in the recent discovery of a huge oil field extending over 600 miles on the continental shelf off the China coast between Japan and Taiwan.

E. Political Intervention

The national attitudes of the countries of the region toward Japan are classified according to relative degree of animosity. Aside from the Communist countries, where the attitudes toward Japan, while somewhat ambivalent, are not very friendly, two non-Communist states (the ROK and the Philippines) exhibit a relatively high amount of residual animosity, five Southeast Asian states (Cambodia, Indonesia, Laos, Malaysia, and Singapore) and Australia and New Zealand a moderate amount, and in the remainder there appears to be little or no animosity. In no case is the animosity strong enough to foster conflict, but, together with apprehension regarding Japan's rearmament and the traditional aggressiveness of the Japanese economic efforts in Southeast Asia, the latent animosity is probably sufficient to inhibit any budding regional military alliance with Japan for the next few years even were Japan so inclined. However, this should not deter profitable economic relations, political cooperation, and even appeals to Japan for financial assistance, military equipment, arms and/or technical military assistance.

The USSR and PRC efforts at propaganda, political and economic manipulation, and other forms of interference in Japanese affairs,

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both overt and covert, are well documented. The on-going competition between the two Communist governments makes these efforts less effective than they might otherwise be. The large Korean minority in Japan is manipulated no doubt to some extent by North Korea in line with its objectives vis à vis Japan and South Korea. No subversive activities by the South or Southeast Asian countries in Japan, nor by the latter in their countries, have been noted. Japan has to cope in Southeast Asian countries with the vast body of overseas Chinese, some of whose loyalties are still to mainland China and who are manipulated by the PRC.

Japanese economic penetration inevitably will provide opportunities for political influence, a course of action that offers an inviting and less hazardous path than military aggression.

II Enabling and Limiting Factors Affecting Policy-Making and Policy-Implementation.

A. Relative Military Power

The important points to note here are: (1) Japan's demonstrated potential to field a first-class military force, including nuclear weapons if future events substantially alter the present popular antipathy toward them, (2) Japan's steadily growing conventional military capability and announced plans to continue the same with emphasis on quality, especially in the air and on the seas, and (3) the U.S. thermonuclear umbrella to deter attacks on Japan.

B. Alliances and Agreements

The key alliances and military agreements are those between the U.S. and the following countries: Japan, the ROK, the Republic of China, the Philippine Republic, South Vietnam, Thailand, Australia, and New Zealand. The USSR and PRC defensive agreement seems to have been put aside, though both are committed to assist North Vietnam and

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North Korea. Japan has economic and/or other agreements with all of the states of the region* except the PRC, North Korea, and North Vietnam, although it has contacts with all three and has carried on extensive trade and cultural contacts with the PRC through semi-official, informal arrangements.

C. Political Involvement of the Military

The military establishment exercises what might be termed excessive or abnormal influence in twelve of the states of the region, including three Communist countries, the two Northeast Asian non-Communist states, five Southeast Asian states, and two South Asian states. This factor may be temporarily manifested in internal stability, but in the long run might heighten the prospects for instability, with serious consequences for international relations.

D. Geography

Three important geographic facts should be noted: (1) While the fact that Japan is an island state assists it in defending itself against conventional attack via the sea, defense against missile or air (and particularly nuclear) attack is more difficult (Japan's population and industry concentration along the narrow coastal plane aggravates this problem); (2) Japan is situated where the West meets the East in close proximity to Korea, the USSR, and the PRC, and while it is a part of Asia it is essentially Western in orientation and alignment; and

* The Japan-Philippine Treaty of Amity, Commerce and Navigation has been stalled in the Philippine Senate for some time. One point that caused the "go-slow" attitude is the need that Japan respect Philippine territorial waters beyond the three-mile limit. The treaty omits any mention of such recognition. The Japanese Diet ratified it in 1961.

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(3) Japan, a resource-deficient nation dependent on trade and commerce for economic prosperity, must be vitally concerned about sea lanes, ties with the U.S., and access to Southeast Asia, the Middle East, and other areas of the world.

E. Capabilities of International Bodies to Cope with Disputes

The capabilities of international bodies to cope with disputes may be rated from nonexistent to good, depending on both the nature of the dispute and the parties to it. Where the great powers have a vital interest, and especially where the PRC is involved, prospects are poor. In other cases, the UN or other international agencies may be of some help in bringing the parties together and ameliorating possible causes of conflict. Japan is a key member of the UN and its various agencies, is now a member of the Disarmament Commission, and has been a member of the Security Council on two occasions (1955-59, 1966-67). It is also a key member of other regional bodies such as the Asian and Pacific Council (ASPAC) and the Asian Development Bank (ADB).

III Analysis of Interstate Conflict Potential

In the absence of quantitative values, the various factors that tend to facilitate or restrain conflict may be evaluated as objectively as possible both singly and in combination to assess probable outcomes. Sometimes one or more factors will predominate, for example in the case of the ROK, the alliance of Japan and the ROK with the U.S., or in the case of Burma, geographic proximity to the PRC in addition to the orientation of the Burmese governmental leadership. In Table 8 an effort has been made to set out in column f such an evaluation. The minus symbols, indicating a judgment that the restraining exceeded the enabling factors, apply to all but the PRC and North Korea. In the case of these two countries, the uncertainty with respect to the possibility of PRC nuclear

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coercion and Kim Il-Sung's particularly belligerent behavior over the past two years argued for "stand-off" ratings. This in turn suggests a "medium" rating (rather than a "low" one as for the other states) under Column g, "conflict prospects." In the "remarks" column, brief indications are given as to factors assigned greater weight than others in coming to the judgment indicated in Column f. In summary, it is highly unlikely that Japan will start a war, and the USSR is unlikely to attack Japan so long as Japan remains aligned with the U.S. The only moderately serious prospects of conflict involving Japan lie in a possible renewal of the Korean conflict and/or an increasingly aggressive posture of the PRC toward Japan.

In Column h, a judgment is recorded as to the military alliance prospects of Japan with the several non-Communist states during this decade. It will be noted that the prospects for all are rated "low," largely because Japan is uninterested in seeking or giving any military commitments to any other state. However, there appear to be some good reasons, should internal and international circumstances change somewhat, why some states might be more likely candidates than others (L-M). Only India among the South Asian states is considered a possible (though not likely) candidate for alliance in the 1970s. Both Northeast Asian states are considered possibilities, as are all the Southeast Asian states except Laos, Cambodia, and South Vietnam, where special circumstances based on the Vietnam war and its termination raise great doubts as to any serious possibilities for alliance.

In Table 9, likely disputes and potential rivalries are arrayed in a matrix, with the horizontal dimension indicating the relative impact of each on U.S. security interests and the vertical dimension indicating the relative plausibility of the contingency. The positioning judgments are highly subjective, although based partly on the

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Table 9

INTERSTATE CONFLICT POTENTIAL IN THE FAR EAST IN 1970s

		Impact on U.S. Security Interests		
		High	Medium	Low
Relative Plausibility of Event Occurring	Most Plausible		<p>Japan-USSR dispute over "northern territories."</p> <p>Communist supported insurgency in South and Southeast Asia.</p> <p>Communist support of one side in bilateral disputes between states in South and Southeast Asia.</p>	<p>USSR harassment of Japanese fishermen and USSR military aircraft probing Japanese airspace.</p> <p>Communist supported subversion in Japan.</p> <p>Japan-ROK dispute over Takashima Islands.</p>
	Plausible	<p>Sino-Soviet Rapprochement.</p> <p>Korean War.</p> <p>Sino-Soviet War.</p> <p>Widened or Long Inconclusive War in Indochina.</p> <p>Communist Domination in SEA.</p> <p>Renewal of ROC-PRC War over Taiwan.</p> <p>PRC Nuclear Coercion.</p> <p>Serious Deterioration in Economic Environment.</p>		<p>Renewal of old conflicts: India-Pakistan, Pakistan-Afghanistan.</p> <p>World food shortage.</p> <p>Curtailment of Japanese liberalization and foreign aid policies.</p>
	Barely Plausible	<p>Japan-USSR Alignment.</p> <p>Japan-PRC Alignment.</p> <p>U.S. Disengagement from Asia.</p>	<p>Renewal of PRC-India border conflict.</p>	<p>Japan, PRC, ROK, and/or ROC dispute over mineral rights in potential fields along continental shelf.</p> <p>Japan's economic "invasion" and political domination in SEA.</p>

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rationale set out in Appendix L, "Analysis of Alternative Projections and Implications."

It will be noted that the largest number of events fall in the first column, though none are listed as most plausible on the relative scale. The most plausible contingencies are found in the top center and upper right hand boxes, those in the center being of medium importance and those on the right being rather low in importance in terms of their probable effect on U.S. security interests. Most of these are already live disputes or issues (e.g., the "northern territories" and the harrassment of fishermen). No attempt has been made to rank order the contingencies within each box.

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Appendix G

GREAT POWER INTERESTS IN EAST AND SOUTH ASIA

In this appendix, the relationships between the U.S., USSR, and PRC with particular regard to Japan and the other states of the region are examined. The strategic interests, objectives, commitments, and policies of each of the pairs of states are compared to determine the extent of accord and divergence. At the same time an attempt is made to classify them as "vital," "dominant," "critical," or "important."* (Tables 10, 11, and 12.)

Next, all three countries are considered together for the purpose of comparison and the interrelationships are assessed (Table 13).

* Definitions: Vital is "basic" and signifies that national security is clearly dependent on realization of the interest or objective. Dominant signifies overriding importance in a particular geographical area and is fundamental to the continuation, value, and effectiveness of an external power's position of influence in the area. National security is perceived to be at stake indirectly and a willingness to employ armed forces is demonstrated or made credible. Critical connotes crisis and involves a degree of uncertainty as to whether realization of an interest or objective is indispensable or merely important. A critical interest may become dominant or vital in certain circumstances. A nation may threaten to use or may actually employ armed forces in behalf of a critical interest without perceiving a threat to its national security. Important signifies great worth or consequences, but not to the degree that a nation would employ armed forces in its behalf.

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Table III
COMPARISON OF U.S. AND USSR INTERESTS, OBJECTIVES,
AND POLICIES IN EAST AND SOUTH ASIA

		ACCORDANT	
		U.S.	USSR
<u>Vital</u>	None.		
<u>Dominant</u>	Against direct military U.S.-USSR confrontation.		
<u>Critical</u>	Against Far East interstate war. Against PRC expansion and/or extension of influence in East and South Asia. Against Japan developing a nuclear capability.		
<u>Important</u>	None.		
		DIVERGENT	
		U.S.	USSR
<u>Vital</u>	Maintain the deterrent of U.S. military power in the Pacific area.		Maintain deterrence vs. the U.S. in the Pacific and Indian Oceans and vs. PRC on the common border.
<u>Dominant</u>	Honor treaty and other commitments to So. Vietnam, Japan, ROK, ROC (Taiwan), Philippines, Thailand, Australia, and New Zealand providing a nuclear shield to them (and other nations in the region) and military and economic assistance in cases involving other types of aggression. For Japan's continued alliance with the U.S. and its alignment with the free world.		Provide military assistance to North Vietnam and other dissident elements in East and South Asia and expand Soviet sea power in the Pacific and Indian Oceans. For weakening ties of Japan with the United States and the West.
<u>Critical</u>	For an "honorable" end to the Vietnam war, a avoidance of intraregional wars; for peace and stability in the region. Against USSR expansion in the region. For Japan's claims for return of "northern territories," elimination of USSR restrictions on Japan's fishing and conclusion of a peace treaty with Japan. Supports ROC (Taiwan) vs PRC, while seeking to improve relations with the PRC. Supports ROK vs external aggression.		For an end to the Vietnam War on So. Vietnam's terms; against escalation of war and open hostilities elsewhere in region. Against U.S. military presence in East Asia; against overexpansion of USSR influence in the region (except in competition with the PRC, but partly in competition with the U.S. and Japan). Against the return of Kunashiro and Khabarovsk and for maximum political and economic concessions by Japan prior to consideration of a peace treaty. Supported PRC vs the ROC in the past, but there is some doubt today as to the extent of such support. Supports North Korea vs the ROC (extent of support is question).
<u>Important</u>	For Asian initiative for cooperative economic development to secure peace, security, and a rising living standard in the Pacific area.		Supports dissidence in the region but also seeks support among East and South Asian states for the containment of the PRC (proposal for collective security pact may be partly propagandistic).

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Table 11

COMPARISON OF U.S. AND PRC INTERESTS, OBJECTIVES,
AND POLICIES RE EAST AND SOUTH ASIA

CONCORDANT		
<u>Vital</u>	None.	
<u>Dominant</u>	Against direct military hostilities (PRC official statements would lead one to believe otherwise, but recent actions have been more constrained).	
<u>Critical</u>	Against Japan developing a nuclear capability (though for different reasons).	
<u>Important</u>	None.	
DIVERGENT		
	U.S.	PRC
<u>Vital</u>	Maintain strategic forces positioned in the Pacific area to deter hostile action by the PRC against the U.S. or its allies.	Maintain strategic forces in the Pacific (w/ U.S. & Japan) and on USSR border; build nuclear deterrent w/ both the U.S. and the USSR. Establish China's influence in border states.
<u>Dominant</u>	Honor treaty commitments to South Vietnam, Japan, ROC (Taiwan), ROK, Philippines, Thailand, Australia & New Zealand, providing a nuclear shield to them (and to other nations the U.S. considers vital to its security and the security of the region) and military and economic assistance in cases involving other types of aggression.	For expansion of U.S. military power from the East Pacific area; provide military assistance to South Vietnam, North Korea, Peking Laos and other of elements in East and South Asia.
<u>Critical</u>	For an honorable end to the Vietnam war, and avoidance of interregional wars, for peace and stability in the region. Supports ROC (Taiwan) vs external aggression, while seeking to improve relations with the PRC. Supports the ROK vs external aggression.	For establishment of unified states in Vietnam, Laos & Cambodia, under Communist regimes and elsewhere seek the establishment of regimes hostile to the U.S., friendly to China, or neutral. Seeks return of Taiwan to the PRC and nonrecognition of the "Kiang-Tsiang." Supports North Korea vs the ROK.
<u>Important</u>	For Asian initiatives for cooperative economic development to secure peace, security and a rising living standard in the Pacific area.	Utilize overseas Chinese and other minority groups to stir up internal strife (w/ unfriendly regimes) and maintain anti-American sentiment or its exploitation where it already exists in order to remove U.S. influence from Asia.

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Table 12

COMPARISON OF USSR AND PRC INTERESTS, OBJECTIVES,
AND POLICIES RE EAST AND SOUTH ASIA

<u>ACCORDANT</u>	
<u>Vital</u>	None.
<u>Dominant</u>	Avoidance of major war with each other, but neither one willing to compromise what it conceives to be its vital interests. For elimination of competition from other powers in the non-Communist world, and both are prepared to utilize the inherent instability in the international community in order to further their own ideological and national goals. (Each one will take advantage of the other's activities in unstable areas, and the two powers will often cooperate as they have in Vietnam and North Korea without renouncing competition, each will attempt to benefit from the gobble of the other as long as the ravages of Socialism are weakened.)
<u>Critical</u>	For strengthening own ties with Japan and weakening of ties of Japan with the U.S., and the West (more important for the PRC). Against Japan developing a nuclear capability.
<u>Important</u>	For return of Taiwan to the PRC (both concerned in the past, strength of current USSR commitment in question). Support of North Korea vs the ROK and of the U.S. (strength of commitment of both in question).
<u>DIVERGENT</u>	
<u>USSR</u>	<u>PRC</u>
<u>Vital</u>	<u>Vital</u>
<u>Dominant</u>	<u>Dominant</u>
<u>Critical</u>	<u>Critical</u>
<u>Important</u>	<u>Important</u>

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Table 13

COMPARISONS OF U.S., USSR, AND PRC INTERESTS, OBJECTIVES AND POLICIES IN EAST AND SOUTH ASIA

Areas of P. Areas	Comparative (A) Background (D)			Remarks
	U.S.	U.S.S.R.	U.S. PRC	
1. Mutual Detente	Maintain the interests of U.S. military power in the Pacific and Asia (USSR and PRC)	Maintain detente & power on USSR border - in the Pacific (vs U.S. & Japan)	D	Currently USSR PRC rivalry is more important to both than their rivalry with the United States.
Territories	---	Establish PRC on detente Soviet to Japan re	--	U.S. has avoided taking sides.
2. Communist Conflicts	Against direct U.S.-USSR confrontation, less concerned about U.S.-PRC confrontation but wishes to avoid U.S. against increasing level of U.S.SR-PRC display	Against (USSR-U.S. confrontation, apparently more dangerous to confrontation with the PRC. Against U.S. seeking its relations with the PRC.	A	U.S. & USSR might rate avoidance of confrontation even higher, the PRC policy may become more cautious as it achieves full nuclear capability.
Treaty Commitments	Treaties with G.S., Japan, M.S., P.I., Thai, Laos, Australia, etc. Nuclear shield plus military economic activities	Desist from treaty with the PRC, but maintain agreement with G.S., M.S., Korea, probably other disinterested elements in E. & So. Asia.	D	Some question as to USSR & PRC commitments to So. Korea, those to be. US remain strong. U.S. presence being reduced, Asian nations assuming greater "share."
Japan-U.S. Relations	For continued alliance with Japan - "linchpin" for U.S. Far East position	For weakening of Japan with the U.S. & the west (but "dominant" for USSR).	D	Issue is less important to the USSR than to the U.S. or the PRC (USSR can tolerate, since it reduces chance of PRC-Japan rapprochement).
Japan-USSR Relations	For Japan's territorial claims, disposition of fisheries, movement & construction of peace treaty.	Against return of Kuril Islands, Etomofu, for good peace treaty by Japan prior to peace treaty.	D	Probably quite important to USSR but it is not yet willing to give up the Kuriles. Issue is less important to U.S. & PRC.
Japan-PRC Relations	For continued de facto relations with some accepted solution to Taiwan problem	Against closer Japan-PRC relations (excepting Japan's trade in Siberia).	D	Issue is less important to U.S. & PRC.
Leadership of World Communist Movement	---	Prevent China from oversteering.	--	U.S. "actor" but considers USSR lesser actor.

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Table 12 (cont'd, 3c-1)

Issues or Problems	Objectives and Policies				Benefits		
	U.S.	USSR	PRC	Alignment (A) Divergence (D) U.S. USSR U.S. PRC USSR PRC	Relative Importance		
III. Critical Intra-regional War	Seeks end to VN war, avoidance of both great power conflict & intra-regional wars. For peace & stability in region.	Continuous support of the VN in war & other dissident but probably against either escalation of war or open hostilities elsewhere in the region which might involve it in direct confrontation with the U.S.	Continues support of VN (North).	A	D	D	USSR-PRC competition in the region. USSR continues to support the VN war.
Great Power Hegemony in Asia	Against dominance by either USSR or PRC.	Against PRC, U.S. or Japanese hegemony.	Against USSR, U.S. or Japanese hegemony.	Both vs USSR & PRC dominance	Both vs U.S. & Japan	A	Both USSR & PRC may raise their dials higher if both U.S. & Japan desire to avoid becoming involved in USSR-PRC controversy.
Japan Nuclear Capability	Against Japan developing	Against Japan developing.	Against Japan developing.	A	A	A	Both external & internal pressures in Japan are against developing, but Japanese government may try to keep its options open as long as possible.
Formosa	Seeks to improve relations, PRC while continuing normal relations with the ROC on Taiwan. Like Japan, seeks some formula to recognize and deal with both the PRC & Taiwan.	Has supported PRC position in past, may accept some compromise in future.	Admiration in Taiwan for return of Formosa and independence. "Chiang Clique" in Formosa.	D	D	PRC would probably reach this issue higher; USSR probably would not honor today its 1950 treaty with the PRC.	
Korea	Seeks to command allegiance of otherwise neutral.	Supports So. Korea vs the N.K. and U.S.	Supports N. Korea vs the N.K. and U.S.	D	D	A	Some question today of extent of USSR & PRC commitments to So. Korea. Competition between USSR PRC for influence could be intense (e.g., Indonesia).
Asian Off-Shore Islands	Seeks commitments (Taiwan).	Seeks to command allegiance of otherwise neutral.	Supports N. Korea vs the N.K. and U.S.	D	D	D	U.S. one purpose is to limit willingness; it supports cooperative trend & encourages Japan's involvement & economic support; USSR cooperate with PRC in parts of South East Asia, but in South Asia, supports India and Pakistan vs PRC. latter opposes U.S. and Japan throughout region.
II. Incomplete Asian Regional Cooperation	For Asian initiatives for economic development to secure peace, security and a lasting standard of living in Pacific area, seeks to peacefully resolve bilateral disputes between states in S. India and Pakistan).	Supports disunity in some regions but also seeks support among S. & So. Asian states for containment of PRC expansion (collective security proposed may be propagandistic).	Supports "war of national liberation" in S. & S.E. Asia, utilizes Chinese & other officials to stir up in PRC & S. & S.E. Asian states (e.g., India, Pakistan) in the S. & S.E. Asian region.	Both D	D	D	U.S. one purpose is to limit willingness; it supports cooperative trend & encourages Japan's involvement & economic support; USSR cooperate with PRC in parts of South East Asia, but in South Asia, supports India and Pakistan vs PRC. latter opposes U.S. and Japan throughout region.

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I U.S. and USSR Interests, Objectives, Commitments,
and Policies (Table 10)

A. Accordant

Four accordant or overlapping interests of the two countries are identified: one "dominant" and three "critical." Both countries are interested in avoiding a direct military confrontation with each other. This is just as important in the Far East as in other parts of the world; hence it is listed as "dominant." The restraint of both powers in a number of Far East conflicts would appear to confirm this conclusion, e.g., Vietnam, Laos, Korea, and the Formosa Straits crisis.

Second, both countries essentially are opposed to intraregional wars. The United States presently is seeking to end the Vietnam war and seeks to prevent the outbreak of such wars in the future. Its interests are best served by peace and stability in the region. The Soviet Union continues to provide extensive military assistance to the North Vietnamese in the war, but its leaders appear to be against any widening or intensification of the war* and also against hostilities elsewhere that might involve it in an unwanted confrontation with the U.S. In public pronouncements, the Soviet Union has backed North Vietnam's terms for settlement of the war, but the U.S. has attempted to persuade the USSR to use its influence for a compromise that might be acceptable to the United States.

*When Hanoi began to move into negotiation with the U.S. in 1968 and 1969, the two Communist powers took opposing views of the prospects of peace. The Russians grudgingly urged Hanoi to explore peace possibilities. The Chinese urged Vietnam to continue the struggle. (H. E. Salisbury, War Between Russia and China, N. Y., Bantam Books, 1969, p. 103.)

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Third, both countries are opposed to the expansion or extension of influence of the PRC in Asia. This is certainly not a joint endeavor. The United States is opposed to the domination of Asia by any one country--either the USSR or the PRC. The USSR currently sees the PRC as its chief competitor (and possible protagonist) worldwide; hence it is concerned with trying to curtail the expansionist tendencies of the PRC insofar as possible.

Fourth, both countries are opposed to Japan developing a nuclear capability. As an ally of Japan the United States does not see any military necessity for Japan to attain such a capability--in fact, Japanese nuclear weapons could be a liability to the United States and a complicating factor in Japan's East Asian relations. Also, from the viewpoint of enforcing the NPT, the United States would be quite reluctant for any of the nuclear-capable nations (particularly a signatory of the Treaty who is also an ally) to set an example for other nuclear-capable states. This would tend to rapidly vitiate the effectiveness of the NPT. The USSR likewise would not like to see Japan or any other non-nuclear state "join the nuclear club." In addition, as a neighbor and potential opponent, it would fear that a nuclear-armed Japan, possibly under an ultra-nationalistic government, could be at least bothersome and at worst dangerous to its security.

B. Divergent

Nine divergent interests of the two countries are identified: one "vital," two "dominant," five "critical," and one "important." Listed as "vital" is the U.S. objective to maintain its deterrent power in the Pacific area. Thus, although under the Nixon doctrine the American presence on mainland Asia may be reduced as Asian nations assume greater responsibility for their defense, the U.S. deterrent

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will remain--both nuclear and conventional.* Likewise, the USSR seeks to deter the U.S. in the Pacific and Indian Oceans, as well as through its Strategic Rocket Forces. The USSR would probably consider this objective as "vital"--hence its concern over the presence of U.S. forces in Japan, Korea, Okinawa, Formosa, and the Far Eastern seas.

Listed as "dominant" is the U.S. determination to honor its treaty commitments to South Vietnam, Japan, the ROK, the ROC, the Philippines, Thailand, Australia, and New Zealand. President Nixon in his Guam statement and again in his 1970 State of the World Message to Congress reiterated this determination and stated further: "We shall provide a shield if a nuclear power threatens the freedom of a nation allied with the United States, or of a nation whose survival we consider vital to our security and the security of the region as a whole.... In cases involving other types of aggression, we shall furnish military and economic assistance when requested and as appropriate."[†]

Likewise the USSR is committed to providing military assistance to North Vietnam, possibly North Korea, and certain dissident elements in East and South Asia. The exact extent of such commitments other than to North Vietnam is unknown. The USSR also seems set on expanding its sea power in the Pacific and Indian Oceans, probably calculated to at least maintain and possibly extend its influence in Asia, in addition to maintaining its deterrent, as noted above.

* President Nixon, on "Asia and the Pacific," State of the Union message sent to the United States Congress on February 18, 1970, Pacific Community, Vol. 1, No. 3, April 1970, pp. 545-550.

[†] Ibid., p. 546.

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Also "dominant" is the U.S. objective of maintaining its alliance with Japan and its alignment with the free world. President Nixon referred to Japan as the "linchpin" of our position in the Pacific. The USSR, on the other hand, seeks to weaken Japan's ties with the United States and the West. At present the USSR would probably rate this objective somewhat lower on the scale. There has been some indication that in view of its current split with the PRC, the USSR would like to prevent Japan from drawing close to the PRC and hence has not been very active in trying to influence Japan to discontinue its alliance with the United States.

Although, as discussed above, the United States and the USSR both are basically opposed to intraregional wars, the two powers' interests diverge insofar as terms for ending the Vietnam war are concerned. The United States seeks an end to the war that would preserve South Vietnam as a viable entity and the U.S. image essentially untarnished. The USSR has supported an end to the war on North Vietnam's terms-- unconditional and complete withdrawal of all U.S. forces from the area. To date the USSR apparently has not seen fit to apply the very considerable leverage provided by its military support program to pressure the North Vietnamese to compromise on their terms for settlement of the war. This may be partly because of the USSR's competition with the PRC and partly because it is not unwilling to see the U.S. embarrassed by the continuation of an expensive and unpopular war.

Next, the U.S. opposes dominance by any great power over Asia, including the USSR. As President Nixon put it, "We have no desire to impose our own prescription for relations in Asia. We have described in the Nixon doctrine our conception of our relations with Asian nations. We hope that other great powers will act in a similar spirit and (not) seek hegemony."^{*}

^{*} Ibid., p. 549.

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The USSR, on the other hand, fears U.S. or Japanese hegemony in Asia. The USSR apparently seeks to expand its influence in South and Southeast Asia. It finds itself partly in competition with the PRC, but also with the United States and Japan.

The U.S. supports Japan's claims for return of the "northern territories," the elimination of USSR restrictions on Japanese fishing rights, and the conclusion of a USSR-Japanese treaty. So far the USSR considers the issue of the southern Kuriles (Kurashiri and Etorufu) "closed." It has indicated it may consider the return of the Hobamai group and Shikotan. At one time the quid pro quo to be demanded seemed to have been nonrenewal of Japan's Security Treaty with the United States, but at this time the political price desired is unclear.*

With regard to ROC (Taiwan) and Korea, the U.S. supports the ROC against the PRC, even though at the present time it has eased certain restrictions and is seeking to at least open up communications with the PRC. Likewise the U.S. supports the ROK against external aggression by North Korea. On the other side, the extent of the USSR's support either to the PRC or North Korea is not clear. So long as the USSR split with the PRC continues, military support for the latter seems out of the question. North Korea, as a buffer state between the two, has tried to steer a middle course, and it seems doubtful that the USSR would support any North Korean attack on the ROK, at least while the U.S. commitment to the ROK continues firm.

* For the past few years, the USSR has dangled the bait of lucrative Japanese investments in Siberia and Sakhalin, but until recently Japanese businessmen have concluded that the investments required would be enormous and the returns not all that lucrative. It is also recognized that the USSR could suddenly terminate any arrangements made.

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Finally, under the "important" category, the U.S. supports cooperative economic development in Asia, hopefully with Japan's assistance. Quoting President Nixon again: "Our goal must be particularly close cooperation for economic development. Here, too, our most effective contribution will be to support Asian initiatives in any Asian framework. Asian regional cooperation is at the beginning.... A sound relationship with Japan is critical in our common effort to secure peace, security and a rising living standard in the Pacific area."^{*}

The position of the USSR, on the other hand, is somewhat ambivalent. It supports dissidence in certain areas; it also ostensibly seeks support among East and South Asian states for the containment of the PRC, although there is some reason to believe that this proposal may be at least partly propagandistic.

II U.S. and PRC Interests, Objectives, Commitments, and Policies (Table 11)

A. Accordant

Two partly overlapping objectives are identified, one "dominant" and one "critical." as to the first, it seems reasonably clear that both powers are opposed to a direct military confrontation. The U.S. and PRC forces fought each other in the Korean War, and in Formosa the U.S. Seventh Fleet was interposed between the PRC and Taiwan. However, in Vietnam both sides have taken pains to avoid a direct confrontation. The PRC official statements as well as propaganda would lead one to believe otherwise, but the PRC actions have been quite circumspect to date.

^{*} President Nixon, op cit., pp. 547-549.

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Like the USSR, the PRC would fear a nuclear-armed Japan. The PRC, of course, being closer and having experienced Japanese occupation in the past, would have as much or more reason for concern. Since, as noted earlier, the United States for different reasons also is against Japan developing such a capability, this objective must be listed as an "accordant" one under present circumstances.

B. Divergent

One "vital," one "dominant," three "critical," and one "important" objective are identified. The U.S. objectives in most instances are quite similar to those noted with respect to the USSR. Listed as "vital" is the U.S. determination to maintain its deterrent power in the Pacific area, and as "dominant," honoring its treaty commitments, with particular importance attached to continuing its alliance with Japan. The PRC seeks to acquire a nuclear posture to deter both the U.S. and Japan in the Pacific, as well as the USSR on their common border. The PRC also seeks to establish its influence in the border states. The PRC seeks the expulsion of U.S. military power from the entire Western Pacific area. It has commitments to supply military assistance to North Vietnam, to North Korea, to the Pathet Laos (apparently through North Vietnam), to the exiled regime of Prince Sihanouk in Cambodia, and to certain dissident elements in East and South Asia. It also seeks to detach Japan from its alliance with the United States.

Listed as "critical" is the U.S. objective for ending the Vietnam war on its terms, avoidance of intraregional wars, and the fostering of peace and stability in the area. The PRC, on the other hand, supports the establishment of unified states under Communist regimes in the three states of former Indochina; it also seeks the establishment of regimes hostile to the U.S., friendly to the or at

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least neutral to the PRC. Its aggressive policy in Asia if, as, and where the opportunity arises, continues--despite rebuffs in Malaysia, Indonesia, and Vietnam.

Whereas the U.S. supports the Republic of China on Taiwan against external aggression, the PRC seeks the return of Taiwan and opposes the recognition by anyone of the ROC regime on Taiwan. As noted earlier, Japan's relations with the ROC is a serious point of contention between the PRC and Japan. While the U.S. supports the ROC, the PRC supports North Korea.

Finally, as opposed to U.S. support of economic development to secure stability in the area, the PRC utilizes overseas Chinese and other minorities to stir up both internal strife ("wars of national liberation") vs regimes unfriendly to the PRC and fulminates anti-American sentiment or exploits it where it already exists in order to remove U.S. influence from Asia.

III USSR and PRC Interests, Objectives, Commitments,
and Policies Re East and South Asia (Table 12)

A. Accordant

Six overlapping objectives are identified: two "dominant," two "critical," and two "important." Both sides apparently wish to avoid a major war with one another. However, neither wants to appear to be backing down in their dispute, and neither appears willing to compromise what it conceives to be its vital interests. Thus, some border clashes have occurred. But, for quite some time talks have been underway between representative of the two powers. While no satisfactory settlement of the border question seems in the offing, neither does a critical, possibly disastrous, war. Soviet nuclear superiority will continue to serve as a strong deterrent to rash Chinese actions throughout this decade.

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Second, both states desire to eliminate competition from other powers in the non-Communist world, and both are prepared to utilize the inherent instability in the international community in order to further their own ideological and national goals. Of course, each one will take advantage of the other's activities in unstable areas, and the two powers will often cooperate, as they did in Vietnam and North Korea, without relaxing their competition, and each will attempt to benefit from the gambits of the other so long as the enemies of Socialism are weakened. Both Communist states are providing military assistance to North Vietnam. Also, in the past, at least, both states have supplied help to North Korea and certain dissident elements in South and Southeast Asia.

Third, both states favor strengthening of their own ties with Japan and weakening of Japan's ties with the U.S. and the West. Weakening Japan's ties with the West would probably be ranked lower on the scale by the USSR for reasons mentioned earlier.

Fourth, both states are opposed to Japan developing a nuclear capability. Probably both states would rate this objective as "critical."

Fifth, both states favor the return of Formosa to the PRC--at least both have concurred in the past. The strength of the USSR treaty commitment to the PRC is very much open to question at this point in their relationship.

Similarly, in the past both states have supported North Korea vs the ROK and the U.S. For reasons already mentioned, the strength of both commitments is subject to question, and this objective is rated only as "important."

B. Divergent

Eight objectives are listed as divergent: two "vital," one dominant," four "critical," and one "important." As to the first, the

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USSR seeks to retain former Chinese territories and to weaken and destroy Chinese influence and control in the border areas. The PRC seeks to establish Chinese influence and control in the border areas and to destroy Soviet influence in former Chinese territories. Second, the USSR seeks to deter the PRC both with nuclear weapons and with conventional forces deployed on its eastern frontier. The PRC likewise maintains large forces deployed against the USSR on their common border, and it is building a nuclear capability that could be used against both the USSR and the U.S. (and presumably Japan). Third, the USSR seeks to prevent and the PRC seeks to attain Chinese leadership in the world Communist movement. Toward that end, both sides seek to weaken and destroy or topple regimes of the adversary.

Fourth, the USSR favors an end to the Vietnam War on North Vietnam's terms; it probably opposes escalation of the war and would not like to see open hostilities break out elsewhere that might tend to involve it unduly. As noted, the PRC has counseled against any settlement of the Vietnam war and has provided support to North Vietnamese troops in Laos and Cambodia, and to dissident forces in Thailand, Malaysia, Burma, and India.

Fifth, the USSR is opposed to returning the southern Kuriles to Japan, among other reasons for fear of stimulating requests for territorial adjustments from the PRC and other neighbors. Presumably the USSR favors an eventual peace treaty with Japan provided agreement can be reached on the territorial and other questions. The PRC favors the USSR return of the "northern territories" to Japan, probably for the same reason that the USSR rejects it, opening up the "Pandora's Box" of territorial questions. The PRC probably would not rate this objective very high. The PRC is, however, definitely opposed to closer USSR-Japan relations ("collusion" vs the PRC).

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Sixth, the USSR opposes PRC hegemony in Asia and has proposed a collective security treaty, presumably to help contain the PRC. For its part, the PRC opposes any domination or hegemony by the USSR over Asia. This is not merely an ideological struggle; it seems to have all of the territorial and geopolitical elements of traditional struggles for power--exacerbated perhaps by the ideological and personal struggles for power peculiar to the Communist world.

Seventh, both powers seek to command the allegiance or otherwise control those islands off the coast of Asia from which Soviet sea-power might be projected against China.

Finally, although both states support subversion in certain countries, there is competition between them. The USSR seeks or threatens to support certain unfriendly regimes, but also seeks support among countries situated along the PRC borders for the containment of Red China. The USSR also supports India against the PRC and has tried to remain neutral in the India-Pakistan dispute.

The PRC supports subversion and insurgency against unfriendly regimes in East and South Asia, utilizing the large overseas Chinese communities as well as other minority groups where available to stir up internal strife. It also is not averse to taking sides in bilateral disputes, e.g., by supporting Pakistan vs India in their dispute over Kashmir.

IV Summary (Table 13)

In Table 13, the positions of the powers on the chief issues or problems are summarized, and a notation is made as to whether there is accord or divergence on the issues between the three pairs. It will be noted that on only two issues is there accord for all three powers, and in a sense the positions of the three on these two issues are all

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negative. All three powers are opposed to Japan developing a nuclear capability--though for different reasons. With some minor divergence in the case of the USSR and PRC, all are more or less reluctant to precipitate a direct military confrontation.

There is a divergence among all three pairs on five issues. The USSR vs the PRC have the greatest number of accordant ratings, agreeing on six issues. However, it will be recalled that for a number of these objectives or commitments, the accordance is somewhat of a surface agreement and may not still be binding, e.g., on Formosa and Korea.

Deterrence--All three pairs naturally have divergent positions with respect to deterrence--since each seeks to deter the other two.

Territories--This is an issue only between the USSR and the PRC--one in which the U.S. avoids taking sides.

Confrontation--On direct confrontation, as noted, there is an essential accordance between the U.S. and USSR and between the USSR and PRC; the U.S. and the PRC are almost in accord since both now seek to avoid a major war.

Commitments--On treaty commitments, the U.S. position directly opposes that of both the USSR and the PRC. The USSR and the PRC are partly in accord (although their treaty with each other is more latent than active).

Japan-U.S. Relations; Japan-USSR Relations; and Japan-PRC Relations--The U.S. and USSR take divergent positions with regard to Japan-U.S. relations and Japan-USSR relations, but are almost in accord on Japan-PRC relations. The U.S. and the PRC take divergent positions on Japan's relations with all three powers. The USSR and PRC essentially are in accord on Japan-U.S. relations but diverge on Japan's relations with each other.

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Leadership of World Communist Movement--This is an issue only between the USSR and the PRC; the U.S. is not involved.

Intraregional Wars--On intraregional war, the U.S. and USSR are essentially in accord, while the other two pairs take divergent positions.

Great Power Hegemony; and Japan's Development of Nuclear Weapons (and Nuclear Capability)--On great power hegemony in Asia, each nation is opposed to hegemony by either of the others and, as mentioned, all three are opposed to Japan's obtaining a nuclear capability.

Formosa and Korea--With regard to both Formosa and Korea, the U.S. position is opposed by both the USSR and the PRC, and the latter two are nominally in accord with one another.

Asian Off-Shore Islands--This is a three-way issue in which both Communist powers seek to exclude U.S. influence, but at the same time vie with one another.

Asian Regional Cooperation--With respect to Asian regional cooperation, the U.S. and the USSR mostly take divergent positions, as do the U.S. and the PRC. The USSR and PRC are partly in agreement, but in part are in competition with one another.

In sum, the greatest number of incompatible objectives can be found between the U.S. and the PRC. Since most of these rank high on the importance scale, it is evident that the potentiality for conflict is present. However, it should be noted that the "vital" divergence between the USSR and the PRC is considered to be of more important immediate concern to both Communist states than their disputes with the U.S., though short of a Sino-Soviet conflict, no other factors seem likely to greatly lessen Communist tensions with the U.S. Hence, despite their surface accord on a number of issues, and considering the

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ambivalent position of both on avoiding confrontation, the possibilities for a spark igniting an open conflict between the USSR and PRC are relatively high.

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Appendix H

INTERNAL ECONOMIC TRENDS

I Zaibatsu

Contrary to popular belief, the determinants of Japan's postwar economic "miracle" of the 1960s are to be found primarily in the domestic rather than in the international sector of her economy. In assessing relevant internal economic trends, it is important to analyze the dynamics of Japan's domestic economy and the sources of factors affecting her foreign and military policies. What are the structural characteristics of the economy? What are its elements of strength and weakness? What is the mechanism by which the economy responds to destabilizing influences? What are the domestic interests and priorities of those who have an impact on Japan's foreign and military policies? Attempts to answer these questions will set the stage for an outline of conceivable alternative sequences of events that may occur in the course of the coming decade and that may generate policy dilemmas for Japan and for Japan's foreign and military relations with the United States. At the same time, account must be taken of the process by which the central arena of Japan's growth and development is indeed progressively shifting from the domestic to the international plane. In the coming decade, interactions between factors in the domestic and in the international sectors will become increasingly critical in the formation of Japan's foreign and military policies.

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A. Elements of Continuity and Change

Although there has been a "zaibatsu revival" in postwar Japan, changes are to be observed in both the name and nature of the phenomenon. Since the term itself conveys unpleasant historical connotations, in Japan today the term gurūpu (from the English word group) is used instead of zaibatsu.^{*} Thus, for example, there is the Mitsui Group, the Mitsubishi Group, and the Sumitomo Group. The purely Japanese term for "successor group" is keiretsu, which in effect is a euphemism for the "zaibatsu" of the present day.[†]

It is clear today that an enormous effort has been and is being made by both government and industry to restore the conditions if not the actual structure of the prewar form of industrial organization. With the purpose of creating "orderly conditions" and removing "excessive competition," a variety of innovations have been introduced by government authorities and by keiretsu leaders during the post-Occupation period. Coordination and uniformity of behavior have been imposed by government intervention as such, by the formation of President's Clubs, by restrictions on the availability of bank credit, by trade associations, by mergers and cartels, by the formation of kombinats, and by other informal as well as formal associations. In projecting the future, consistent with these developments, it appears highly likely that the holding company will be restored to its former legal status. The Federation of Economic Organizations (Keidanren), Japan's most powerful business organization, which itself is a vehicle for policy coordination among the

* In prewar Japan, the four major zaibatsu families were Mitsui, Mitsubishi, Sumitomo, and Yasuda. The principal minors included Nissan, Asano, Furukawa, Okura, Nakajima, and Nomura.

† Each of these terms is identical in the singular and plural.

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major groups, was in March 1970 preparing a recommendation for the legalization of the holding company. From a business point of view, holding companies would be a more efficient means of accomplishing what hitherto has been accomplished by outright mergers and consolidations. In the case of mergers, a difficult problem always arises with regard to the redundancy of top officials within the merged firms. This difficulty often precludes the possibility of arranging a merger. However, where the stock of competing firms is acquired by a holding company, neither organization need necessarily be reorganized in the short run.

Inherently, the holding company is no more undesirable than the merger, which of course has always been legal in Japan. To a considerable extent, mergers have been a satisfactory device for promoting the "zaibatsu revival" of recent years. However, holding companies are more convenient. In the case of Japan, moreover, it is likely that, as in prewar days, the holding company will become the vehicle for establishing centralized combines and for enforcing discipline on subsidiary firms in terms of credit, management, and marketing. This in turn may imply a revival of the system of "cordial oligopoly," which would indeed be an event of great importance with regard to Japan's external economic and military policies.

The rationale for the legalization of the holding company, as well as for the merger movement and other devices designed to increase economic concentration, is currently expressed in terms of Japan's need to establish positions of power from which to resist the encroachment of foreign firms that will enter the domestic market as soon as they are allowed to do so by the liberalization program. The elimination of "excessive competition" is considered to be an essential preparation for this resistance. However, antipathy to competition--whether "excessive" or not--is a conspicuous element of continuity linking the prewar and postwar policies of the Japanese government.

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B. Economic Concentration

Reconstitution of Japan's traditional oligopoly groups has its counterpart, of course, in a reversal of the Occupation's deconcentration and antitrust program. What is the rationale of the reconcentration movement? How is it being accomplished? What does it portend for the future?

Economic concentration has a long history in Japan, and its current rationale is merely a variation on a theme. Following the Meiji Restoration of 1868, new industries were introduced by means of government assistance to selected firms. These "chosen instruments" implanted foreign knowledge and technology into the traditional economy. Later, as part of its program for military conquest, the government established control over basic industries for strategic purposes. During the 1930s, for example, "national policy" companies (later abolished by the Occupation) were organized in many fields, such as in steel and electricity. At the same time, new zaibatsu (Shinko-Zaibatsu) were established alongside the old to help the government accomplish its purposes in Manchuria. Ironically, as an inadvertent result of the Occupation's zaibatsu-dissolution program, a vacuum was created in the areas where these giant enterprises had dominated the economy. Democratic diffusion of economic power did not take place. Instead, the former zaibatsu functions were acquired by the government itself, which at once asserted its predominance. During the Occupation, key industries (coal, iron and steel, shipping, and electric power), and accordingly, key firms, were given special assistance by the government in the form of subsidies, loans and tax advantages. The rationale for this special assistance was based on Japan's shortage of capital and modern technology; in effect, however, the government program contributed to further government control over the economy and to further economic concentration. It was considered improper for Japan's scarce

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natural resources, scarce capital and scarce foreign exchange reserves to be wasted in "excessive competition."

During the 1950s and 1960s, the rationale for economic concentration was centered on the need for huge plants that could achieve economies of large-scale production. This was considered essential in order to promote Japan's competitive power in exports. Finally, the present explanation emphasizes that, in addition to the productive efficiencies of large-scale output, concentrated business power (including financial facilities and established market positions) is required in order to enable Japan to resist the onslaught of giant foreign firms in the home market. Economic concentration is being justified as a countermeasure to economic liberalization.

The drive towards further economic concentration in the 1970s is thus being irresistibly promoted by a combination of powerful forces. One of these is the traditional interventionist role of the government, which is accustomed to its leading role and which does not intend to relinquish it. Moreover, it is far more convenient for the government to exercise its controls in a setting where it must deal with only a few rather than with many diffused centers of economic power. In the post-Occupation period, the government has systematically encouraged the revival of oligopoly.

Big business, on the other hand, has its own motives for attempting to enhance its grip on the economy by one means or another. In this effort, however, it is handicapped by the lack of coordination formerly imparted by the top holding companies. Thus one of the most striking consequences of non-coordination has been the creation of large amounts of excess capacity in the struggle for market shares. Apparently for reasons of status, in part at least, each major group feels obliged to be represented in every principal field of industrial

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activity. Where economies of large-scale output require that the minimum size plant must be of large absolute size, the combination of such plants when erected by competing groups often creates redundant facilities. The existence of excess capacity as such is regarded as evidence of "excessive competition." In the postwar period, the aggressive construction of excess capacity is in marked contrast with the prewar condition of "cordial oligopoly." Incidentally, it gives rise to repercussions on the international plane in terms of correspondingly aggressive efforts to sell abroad what cannot be sold at home.

While aggressively promoting mergers, designed to reduce the degree of competition, the Japanese government nevertheless maintains that competition will continue to be stimulated by the sheer expansion of the economy, by the growth of demand, by the development of modern technology and products, by aggressive management, and especially by the continued progress of import liberalization. While this is arguable, it is clear that the zaibatsu successor groups have been strengthened and given overwhelming predominance in the domestic economy by mergers and by special assistance from the government in the form of finance, contracts, and privileged administrative attention. From their secure domestic positions, these groups have already branched out into international activities, establishing a new external trend that will prominently characterize the decade of the 1970s. Their activities include the development of resources abroad and the formation of foreign manufacturing firms. Japan's total foreign investment in 1970 amounted to about \$2 billion; by 1980 it is expected to amount to about \$10 billion.

C. Impact on Japanese Government Policies

Japan's conservative party, the Liberal-Democratic Party, has since its inception in 1955 been in control of the government. The

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latter is highly responsive to the wishes of big business, or zaikai, as it is familiarly known.* As compared with big business, labor and agriculture are lesser sources of influence.

The means by which zaikai achieves its impact are of several types. At a purely formal level, big business is represented in a host of government advisory councils, which actively share in the policy-making process. In 1963, according to one estimate, there were 287 such councils attached to the Prime Minister's office and the various ministries and government agencies.† The most powerful of these, the Supreme Economic Council, consisting of three preeminent business leaders, advises the Prime Minister on economic matters. Others include the Economic Deliberation Council, the Industrial Structure Council,‡ the Financial Structure Council, the Foreign Capital Deliberation Council, the Foreign Trade Council, the Industrial Rationalization Council, the Industrial Location Council, the Tax Structure Council, the Overall National Development Council, and the Economic Cooperation Council. Although these councils include a few professors and journalists, and in a few cases representatives of labor, they are essentially organized to provide big business with a direct voice in government decision-making. An offsetting factor, however, lies in the fact that the business community itself contains different interests and points of view and docs

* In referring to the present big-business power group, zaikai (like keiretsu) supersedes the term zaibatsu, which, as explained above, is technically applicable only in a prewar context.

† Chitoshi Yanaga, Big Business in Japanese Politics (New Haven: Yale University Press, 1968), p. 73.

‡ The Industrial Structure Council is the chief advisory council to the Ministry of International Trade and Industry.

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not necessarily take a unanimous position on all matters of public policy.*

Priorities for the decade of the 1970s have recently been announced by the Supreme Economic Council. The following key objectives have been specified:

- (1) Stabilization of prices.
- (2) Development of a new international economic policy.
- (3) Adequate renovation of the industrial structure.
- (4) Promotion of social developments.
- (5) Fostering of a more adequate foundation for economic-social developments.[†]

These objectives are discussed below in connection with economic planning. It is interesting, however, to compare this list with the list of priorities mentioned by Finance Minister Takeo Fukuda in representing Japan at the annual meeting of the IMF in Washington in September 1969. On that occasion, Fukuda emphasized the following:

* Concerning policy on trade with the PRC, for example, there are two distinct schools of thought. Industrialists concerned with iron and steel, fertilizer, and textiles are particularly anxious to achieve a rapprochement at the diplomatic level. Others are more skeptical. In particular, there is a difference of opinion on the use of Export-Import Bank funds for financing trade with the PRC. Yoshizane Iwasa, president of the Fuji Bank, has stated that such financing cannot be approved "in the present situation." Nihon Kogyo, 17 February 1970. In matters pertaining to the USSR, on the other hand, business leaders who hope to profit from Siberian development projects are inclined to disregard the anti-USSR feelings of those in the Japanese fishing industry.

[†] The Japan Times, 17 February 1970.

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- (1) Strengthening of self-defense power.
- (2) Acceleration of trade and capital liberalization.
- (3) Promotion of economic cooperation with overseas countries.

A step removed from direct participation in policymaking consultation are the four major economic organizations of big business, which speak with a very powerful voice. The leading organization is Keidanren (Federation of Economic Organizations), followed by Keizai Doyukai (Japan Committee for Economic Development), Nisshō (Japan Chamber of Commerce), and Nikkeiren (Japan Federation of Employers' Organizations). The Federation of Economic Organizations includes all major companies and institutions, these ordinarily being represented by the president of each affiliated organization. The Japan Committee for Economic Development, on the other hand, emphasizes individual representation rather than companies; it "is not comprised of corporations or other similar organizations, but consists of individual executives in managerial positions who are currently active in the fore of the nation's economy." It emphasizes "progressive" thinking. The Japan Chamber of Commerce is more broadly based than either of these, being the representative of small and medium-size firms as well as larger companies. The Japan Federation of Employers' Organizations is concerned chiefly with labor relations; it was established following World War II as a counterforce to the national organization of labor unions.

Important individuals--such as presidents or owners of major firms and presidents of major banks--likewise exercise great influence. The views of these key individuals are informally channeled to the

* However, many of the individuals who are prominent in Doyukai in their own behalf are also prominent in Keidanren in behalf of their companies.

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government by means of clubs and societies. For example, the Third Thursday Society is a group composed of key members of the Japan Committee for Economic Development and top members of the Liberal-Democratic Party. The Chōei Society is an informal group formed in 1963 that includes about forty company presidents and bank directors and that meets with Prime Minister Sato monthly. At one time, Sato was meeting regularly with more than twenty such groups. Some of the most distinguished clubs are organized on an ostensibly social basis but happen to include as members influential businessmen and government leaders. Important interconnections are thus also established among members of the various consultative committees that serve the Prime Minister and the various government agencies. Additional interpenetration and overlapping is achieved by ties of marriage and adoption, by clubs of former classmates and clubs of individuals who happen to have been born in a particular year.

Another important route by which big business influences government is by means of providing comfortable jobs to government officials at the time of their voluntary or involuntary retirement (high officials are subject to compulsory retirement when they fail to survive the battle for promotion in the upper ranks of the civil service).

The dependence of the political parties on financial contributions constitutes another avenue by which the policies of big business become the policies of government. Zaikai contributes both to the Liberal-Democratic party as a whole and to the various factions of which it is composed, as well as to individual politicians.

* Nathaniel B. Thayer, How the Conservatives Rule Japan, (Princeton: Princeton University Press, 1969), p. 66.

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What are the goals towards which zaikai strives to bend government action? After the Occupation, it was anxious to have the government "rectify the excesses of Occupation policy." This phase has been completed and now the basic aim of the zaibatsu-successor groups is to consolidate their gains and achieve long-term economic stability. However, the interactions between domestic and external policies and between the micro and macro sectors of the economy imply that in some cases big business may achieve tactical successes at the expense of strategic losses. During the 1970s, some of these losses may be at their own expense and some at the expense of the economy as a whole.

One such loss may occur in the context of the constant struggle between government and business in the game of "administrative guidance." Despite the fact that politicians are subject to dictates of business, and the fact that the politicians control the bureaucracy, it is the bureaucracy that keeps the businessmen in line through their power to license and regulate. The ultimate key to bureaucratic control over business undoubtedly lies in credit control. As a lender of last resort, the government of Japan naturally and traditionally has been able to hold a whip over business, the latter being traditionally undercapitalized and perpetually in overwhelming debt. By means of growth and merger, however, Japan's zaikai is acquiring more reserves of its own and prospectively will continue to do so during the 1970s. This means that the government's power to allocate credit will be less of a weapon for economic control in the future than it has been in the past. Already it can be seen that the counter-cyclical tight-money policy has been of less effect as applied recently than it was during earlier postwar tight-money episodes. This deterioration in the government's ability to

* Tight-money measures adopted in September 1969 were of comparatively little effect in damping business expansion until April or May 1970.

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control the domestic economy is part of the price that will be paid for the increasing power of Japanese business. Deterioration of its domestic controls, moreover, will in the future impel the government to rely more heavily on foreign economic policies in order to reduce "overheating" or unwarranted business expansion. Similarly, external events that tend to have a destabilizing impact on the Japanese economy would be resisted in the first instance by countermeasures in the form of increased restrictions on trade and payments.*

Following this line of analysis further, it is evident that at the prevailing level of Japan's heavy dependence on trade with the United States, the effect of possible future emergency restrictions in Japan's foreign commerce would have a correspondingly heavy impact on the United States. In order to obviate consequent repercussions from the United States that such contingencies might create, as well as for logistic and other reasons, it is clearly in Japan's interest to increase the geographical diversification of her trade.

It should also be noted that reluctance on the part of the zaikai and the Japanese government to antagonize the United States by making premature overtures to the PRC is one of the factors that has been holding Japan back from a rapprochement in that direction. Having advanced at a rate that many Japanese consider to be too slow in seeking an accommodation with the PRC, it may well turn out that Japan will move too fast when she does decide to move. This may create new difficulties of another sort in the future. In any event, as the zaibatsu successor groups reach out for new fields to conquer after having reached a mature

* In the event of severe and protracted difficulties, business would acquiesce in the strengthening of centralized government controls to whatever degree was considered necessary in order to cope with the problem.

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stage of growth at home, delicate matters of emphasis and phasing in the composition and location of their foreign investment will take the center of the stage. This ongoing foreign investment process will have to be appraised continuously during the period of the 1970s.

Japanese government policies lie within a continuum, some of which are purely domestic, some of which are purely external or foreign, and some of which are markedly mixed in their implications. Most, in fact, are of the mixed variety, having repercussions both within and outside Japan. The effects on public policy of activities by zaibatsu-successor groups are likewise double-edged, with both internal and external impacts. Increasingly, also, the expansion of Japan's zaikai from its home base to activities abroad will in the 1970s be conducted in partnership with multinational corporations, many of which are based in the United States. Thus while in some respects Japan will be withdrawing from dependence on the United States and vulnerability to pressures that the United States can exert on her economy, in other respects Japan will become more vulnerable to United States pressures in another sphere and dimension.

II Japan's Position as Third Greatest Economic Power

That Japan is the third greatest economic power in the world means that its aggregate GNP is third largest. On a per capita income basis, however, Japan's rank during calendar 1969 was approximately sixteenth among the nations of the world. In the 1970s, domestic attention will increasingly be placed upon per capita rather than upon aggregate measures. This emphasis will arise from demand on the part of ordinary Japanese citizens for a larger share of the proceeds of growth. The distinction between the implications of per capita income and the implications of aggregate national income also directs attention to a key

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point of interaction between internal or domestic policies and external or foreign policies on the part of Japan.

Japan's prospect for maintaining a high rate of growth depends substantially on her ability to cope with various difficulties and to satisfy various demands that will become increasingly urgent during the 1970s. Among the difficulties that constitute constraints upon the rate of growth are economic instability, economic bottlenecks, and institutional inflexibility. In particular, these take the form of an attenuated labor supply, price and wage instability, imbalance between social and private capital, instability in sources of raw material supply, problems of developing new industries, inadequate R and D expenditures, inadequate social security programs, inadequate educational facilities, inadequate commercial distribution facilities, and many other problems. These difficulties also identify focal points at which internal trends will have an impact on Japan's foreign and military policies.

A. Population and Labor Force

Historically, as an offset to her stark shortage of natural raw materials, Japan has enjoyed the benefit of unusual human resources, specifically in the form of a large, disciplined, literate, and underpaid labor force. One of the chief ingredients of the postwar economic "miracle" has been the utilization, as well as the exploitation, of this labor force. The backward sector of Japan's dual economy has in the past been a conspicuous mechanism of exploitation. Partly, human exploitation is inherent in Japanese social and economic institutions. Partly, it is a consequence of government policies, which have concentrated on the achievement of short-term economic gains. Neglect of the social as well as the economic infrastructure in favor of the expansion of current output is one of the prime examples of the government's emphasis on short-term results. (At the same time, the government makes much of its

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"long-term economic planning.") And in the short run, the government's policies seem to have been very successful. The cost-effectiveness of government policies, however, has not been fully evaluated. One of the critical areas for such evaluation lies in the field of population and labor force statistics.

Following World War II, a sharp temporary increase occurred in the population of Japan, partly because of repatriation (amounting to 6,250,000 repatriates by September 1950) and partly because of high birth rates. Following 1950, however, the birth rate began a steady decline; death rates also declined, but less markedly than birth rates. The rate of population increase declined to 1.0 percent in 1955 and has subsequently remained at less than 1.0 percent annually. Consequently, although the working age population has continued to increase, it has done so at a declining rate in recent years. The average annual increase in the work force exceeded one million during the period 1965-70, but it will drop to 620,000 annually during 1970-75 (an annual increase of 1.1 percent), and will become negative by the end of the century. The population, on the other hand, will attain a level of 121 million in 1985 (in terms of the median projection), 135 million by 2005, and 140 million by 2025.*

The conflict between short-run and long-run aspects of economic growth factors in Japan is well illustrated in the case of population and labor force interaction. In the short run, population control economizes on social and economic infrastructure; the resources that might otherwise have been invested in providing for population increase have instead been allocated to achieving Japan's present position as "third greatest

* The minimum estimate for 2025 is 129 million, and the maximum is 152 million, according to the Population Problems Research Council.

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economic power." After an interval of two decades, however, the declining birth rate has been transformed into a declining number of new entrants into the labor force.* Because of the nenko joretsu system of wage payment in Japan (payment according to length of service and experience), a large annual crop of new teen-age labor is highly desired by industry; in conjunction with an early retirement age for mature workers, this system has contributed to keeping down the total wage expenses of enterprise. Now, however, the rising average age of workers tends to increase the total wage bill.† Moreover, with a declining number of new entrants into the labor force, a smaller working population carries the burden of supporting a larger number of retired individuals.* Competition for young workers has also placed additional pressure on the backward sector of the dual economy, which heretofore has been able to pay lower starting wages than the modern sector. The differential between starting wages in the backward and the modern sectors has recently been reduced.*

* Technically, the labor force includes individuals 15 or more years of age who are employed or wholly unemployed. As can be seen in Table 14, the increase in Japan's labor force in 1969 was only 0.7 percent, the smallest rate of increase in the past decade.

† The aging of the labor force may be expressed, for example, in terms of the proportion of workers over 40 years of age. In 1968 this proportion was 40.1 percent; by 1975, it is expected to increase to 47.7 percent.

* There has been some tendency in recent years to postpone compulsory retirement beyond the conventional age of 55. (On the average, government officials are urged to retire at age 52.)

§ This is sometimes interpreted as an advantage to the economy as a whole, since it either forces backward firms to become more efficient or it results in bankruptcies and a reallocation of factors of production from less productive to more productive activities.

Table 14

JAPANESE POPULATION AND LABOR FORCE,
BY YEAR, 1960 TO 1969
(thousands of persons)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Total population aged 15 and over	65,200	66,030	67,550	69,360	71,220	72,870	74,320	75,570	76,780	77,820
(percentage change from previous year)	(1.5)	(1.3)	(2.3)	(2.7)	(2.7)	(2.3)	(2.0)	(1.7)	(1.6)	(1.4)
Labor force	45,110	45,620	46,140	46,120	47,100	47,870	48,910	49,830	50,610	50,980
(percentage change from previous year)	(1.8)	(1.1)	(1.1)	(0.8)	(1.2)	(1.6)	(2.2)	(1.9)	(1.6)	(0.7)
Employed	44,360	44,960	45,550	45,320	46,560	47,300	48,260	49,200	50,020	50,400
Wholly unemployed	750	660	590	800	540	570	650	630	590	580
(in percent of total labor force)	(1.7)	(1.4)	(1.3)	(1.3)	(1.1)	(1.2)	(1.3)	(1.3)	(1.2)	(1.1)

SOURCE: Labor Force Survey, Prime Minister's Office.

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The "labor shortage" and the attendant effect on wages and on prices has been described by many observers as one of Japan's chief problems in the 1970s.* On the other hand, it may also be remarked that even today, Japan's population pyramid is relatively broader at the base than that of the United States, indicating that young workers are comparatively more plentiful in Japan than in the United States. Moreover, foreign observers are frequently struck by what seem to be wasteful practices in the utilization of labor in Japan. There remains much room for improvement in productive efficiency in the secondary and (especially) in the tertiary sector. This would require institutional as well as technological change.

Indicative of the government's reaction, however, in the face of the present "labor shortage," it is noteworthy that in June 1969, Prime Minister Sato delivered a speech in which he advocated an increase in Japan's birth rate.† This public statement has created quite a furor. In justifying his position, the prime minister argued that Japan's birth rate has declined below the average of other "advanced nations." The basis for his remarks is to be found in an interim report of the Population Problems Research Council, a cabinet-level advisory body, which had been asked in April 1967 to study the implications of Japan's low birth rate. Besides the demand on the part of industry for a larger supply of young workers, a potential increase in future military requirements may also have been a motivating factor in the prime minister's statement.

The pessimistic view of Japan's future population and labor force problem anticipates that an attenuated labor force, subject to the

* For example, a statement to this effect was made by Yoshizane Iwasa, president of the Fuji Bank, in Nihon Kogyo, 1 January 1970.

† The Japan Times, 28 June 1969.

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nenkō joretsu wage system, will lead to higher costs of production and thus to an impairment of Japan's international competitive position.

However, there is also an optimistic view:

In Western Europe, the advance of wages due to labor shortages would bring pressure on corporate profits and discourage plant and equipment investments. In Japan, however, the industrial mechanism has been so formed that the advance of wages serves to give an incentive to plant and equipment investments.

By virtue of brisk plant and equipment investments, the capital equipment ratio has been raised, technological progress and equipment modernization have been encouraged and labor productivity has been rapidly increased. Such trends are expected to become intensified in the 1970s.*

Labor productivity has indeed advanced conspicuously in recent years. In terms of the base year 1965, the index of labor productivity increased from a value of 61.3 in 1959 to 150.5 in 1968. The interrelations among prices, employment, real wages, and labor productivity are presented in Table 15. As shown in the table, labor productivity has advanced relatively faster than any of the other specified variables. Also the table reveals that real wages have advanced faster than consumer prices. This fact lies at the root of what some observers diagnose as a cost-push inflationary element in Japan's economy. At the same time, since labor productivity has increased at a relatively more rapid pace than real wages, workers can argue that wages have not been increased sufficiently.

Arguments based on economic indexes, however, are often very inconclusive. The interrelations of the variables must be made explicit

* Hisao Kanamori, "Super-High Economic Growth," The Oriental Economist, February 1970, p. 23. Kanamori is the chief of research in the Japan Economic Research Center, a bullish private agency having close contacts with the government.

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Table 15

INDEXES OF WHOLESALE AND CONSUMER PRICES,
AND INDEXES OF EMPLOYMENT, REAL WAGES,
AND LABOR PRODUCTIVITY IN MANUFACTURING,
BY YEAR, 1959 TO 1969

Calendar Year	Price Indexes 1965 = 100		Manufacturing Industry Indexes 1965 = 100		
	A	B	C	D	E
	Wholesale Prices	Consumer Prices*	Employment [†]	Real Wages [‡]	Labor Productivity
1959	96.9	71.4	64.1	80.1	61.3
1960	97.9	74.0	74.3	83.5	69.3
1961	98.9	77.9	83.5	88.4	76.4
1962	97.3	83.0	89.5	90.6	78.5
1963	99.0	89.6	93.1	93.0	86.2
1964	99.2	93.3	97.8	99.0	96.6
1965	100.0	100.0	100.0	100.0	100.0
1966	102.4	104.8	100.4	106.2	113.0
1967	104.3	109.1	102.5	115.9	131.7
1968	105.1	115.2	105.4	124.4	150.0
1969	107.4	121.6	n.a.	n.a.	n.a.

* Tokyo.

† Enterprises with 30 or more workers.

‡ Average monthly cash earnings.

SOURCES: A: The Bank of Japan
B: Bureau of Statistics, Office of the Prime Minister
C: Ministry of Labor
D: Ministry of Labor
E: Japan Productivity Center

in absolute terms in the year arbitrarily chosen as the base before any firm conclusions can be reached. In the present case, one would have to know the relation between wages and the marginal productivity of labor

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in 1965; one would also have to know whether consumer prices were high or low in relation to wages in that year. Further, one would have to know a great deal about the "incentives" that in the past have impelled producers to invest in new capital goods. It is these new capital goods to which the overwhelmingly greater part of the reported increase in labor productivity is to be attributed. For reasons discussed elsewhere (particularly with regard to the allocation of resources to R and D) it is not necessarily true that future investments will increase productivity to the same extent as they have in the past. Consequently, it would be prudent to maintain some reservations concerning the optimistic Kanamori thesis.

B. Structure of Industry

Since World War II, the allocation of Japan's economic resources has been governed primarily by a policy of restricting consumption and maximizing private investment. Government expenditures (although not government economic control) have also been minimized; in Japan, government expenditure amounts to approximately 10 percent of the GNP, as compared with about 20 percent in the United States. The modest level of government expenditures in Japan results partly from the fact that hitherto there have been relatively small expenditures for military purposes, relatively small social security expenditures, and relatively little foreign aid in the form of grants. In each of these fiscal categories, there is good evidence that expenditures in the 1970s will vastly outdistance those of the preceding decade. In the 1970s the Japanese government will also greatly increase its expenditures for social and economic infrastructure and for the control of environmental disruption, as well as its subsidies for industrial research and development. Although, in absolute terms, all sectors of the economy will undoubtedly expand during the coming decade, government spending and

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private consumption will each occupy a larger share of the GNP, which implies that in relative terms private investment will decline.

In terms of private investment, an important aspect of the allocation of resources is the structure of industry. Which industries has Japan chosen to develop? What is the comparative productivity of these various industries? What are the implications for the coming decade of the changing constellation of industries? As mentioned above, the policy of repressing consumption and stimulating investment has been paramount in the allocation of resources in postwar Japan. In the context of industrial structure, resources have been reallocated from industries and regions of lower productivity to industries and regions of higher productivity. In particular, resources have been shifted from agriculture to industry and from the backward sector of manufacturing to the modern manufacturing sector. Furthermore, export production has been rechanneled into commodities and foreign markets that give the greatest promise of growth.

The comparative efficiency of Japan's primary, secondary, and tertiary industries may be appraised by observing the proportion of the total labor force engaged in each in relation to the proportion of the national income each produces. As shown in Table 16, in 1965 primary industry (including agriculture, forestry, and fishing) employed 25 percent of the labor force but produced only 12 percent of the national income. By 1977, it is estimated that the role of primary industry will have been reduced by more than half in both dimensions. In 1965, secondary industry (mining and manufacturing) employed about one third of the labor force and produced about one third of the national income. These proportions will each increase to over two fifths before the end of the 1970s. Tertiary industry (including wholesale and retail trade, banking and insurance, real estate, transportation and communication,

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Table 16

ROLE OF PRIMARY, SECONDARY, AND TERTIARY INDUSTRIES
IN JAPAN'S LABOR FORCE AND NATIONAL INCOME,
1965 AND FORECAST FOR 1977 AND 1985

Type of Industry	Actual	Projected	
	1965	1977	1985
(in percent)			
A. Labor Force			
Primary	25	11	9
Secondary	32	41	43
Tertiary	43	48	48
Total	100	100	100
B. National Income Produced			
Primary	12	5	n.a.
Secondary	36	43	n.a.
Tertiary	53	53	n.a.
Total	100	100	

SOURCE: Mitsubishi Economic Research Institute, February 1970.

public utilities, individual and group services, and government service), which in 1965 was already the largest sector, will increase further by the end of the decade, at which time it will absorb about half of the labor force and produce more than half of the national income.

Considering Japan's status as "third greatest economic power," the proportion of its labor force in the secondary sector is perhaps deficient as compared with that of other major industrial nations. The excessive proportion of the labor force in primary activities, which are Japan's least productive sector, can be seen in Table 17. In West

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Table 17

STRUCTURE OF NATIONAL INCOME BY INDUSTRIAL ORIGIN AND
INDUSTRIAL COMPOSITION OF THE LABOR FORCE IN 1967:
JAPAN COMPARED WITH OTHER SPECIFIED COUNTRIES

Type of Industry	Japan	Italy	United Kingdom (in percent)	United States	West Germany
A. Labor Force					
Primary	19.8	25.3	1.9	5.2	10.4
Secondary	34.0	39.3	44.6	31.3	47.1
Tertiary	46.2	35.4	53.5	63.5	42.5
Total	100.0	100.0	100.0	100.0	100.0
B. National Income Produced					
Primary	11.9	12.4	3.3	3.3	4.3
Secondary	26.5	27.7	42.2	29.1	42.2
Tertiary	51.6	49.9	53.9	60.2	45.9
Total	100.0	100.0	100.0	100.0	100.0

SOURCE: Fuji Bank Bulletin, January 1970.

Germany, for example, whose national income is about the same as Japan's but whose population is only half that of Japan, only 10 percent of the labor force is employed in the primary sector, as compared with 20 percent in Japan. Germany employs 43 percent of the labor force in the tertiary sector as compared with 46 percent in Japan. The tertiary sector in Japan seems to be expanding at a rapid rate, which contributes to the labor shortage in manufacturing (secondary sector).

Although to some extent efforts have been made to improve institutional practices in the utilization of labor in Japan, the principal response to the labor shortage in manufacturing has taken the form of an

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expansion of capital-intensive activities. A great transformation of the industrial structure has taken place in which the role of traditional handicrafts and labor-intensive natural fiber textiles have given way to emphasis on the engineering, machinery, and chemical industries. The latter, which are characterized by a high degree of value added in processing, have also had a major impact on Japan's foreign economic policies. In particular, the imported raw material input required per unit of finished goods output is distinctly smaller in the modern heavy and chemical industries than in the traditional industries. This has had a very beneficial effect on Japan's balance of payments.*

Interaction between internal and external trends is also evident in the increasing proportion of output in the modern heavy and chemical industries that depends upon external as distinguished from internal markets. In terms of value, in 1969 the ratio of exports to output amounted to 23 percent in the case of steel, 20 percent in the case of automobiles, 64 percent in the case of shipbuilding, and 94 percent in

*The beneficial effect has been very pronounced in the period of Japan's industrial transition during the past decade. As the transition is completed, however, and as Japan depends for further growth primarily on the expansion of the modern sector rather than on the shift from traditional to modern, opportunities for economizing on raw material imports may comparatively dwindle.

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the case of the electronics industry. During the decade of the 1970s, Japan faces the continuing problem of how to expand exports without creating international disputes, such as the recent dispute with the United States concerning her adoption of "voluntary" export quotas.

Another source of internal-external interaction arises from the progressive increase in Japan's need for imported raw materials. Although in contrast with the traditional industries each unit of raw material receives a higher degree of processing and value added in the modern heavy and chemical industries, the expanding output of the latter calls for expanded inputs. With minor exceptions, Japan's imported raw material supplies are received from foreign sources developed or controlled by major Western business interests. Many of these foreign suppliers are linked with or subject to the control of United States firms; thus in this respect the United States possesses an important potential means of exerting pressure on Japan.

In order to avoid conflict with the United States in connection with foreign raw material supplies, Japan has been making strenuous efforts to diversify her import sources and to develop independent sources through Japanese foreign investment. The commodities Japan chiefly

* In 1969, the five leading export items were steel, automobiles, ships, radio and television sets, and synthetic textiles. In 1960, the top five were cotton textiles, synthetic textiles, steel, ships and made-up textile products. Textiles and sundry goods accounted for 60 percent of Japan's total exports in 1950; in 1969 they accounted for 30 percent. The replacement of traditional types of commodities by those of the modern engineering and chemical industries in Japan's export structure is being implemented by a simultaneous replacement of small and medium-size firms by large-scale firms at the center of export activity. The reason for this is that textiles, sundry goods, and the like are chiefly produced by smaller firms, while modern industrial goods are typically produced by large-scale firms. The increasing role of the latter in Japan's export structure reinforces the trend discussed in Section I-B concerning the increase in oligopoly and concentration in the domestic economy.

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requires include iron ore, coking coal, copper ore, petroleum, lumber, and bauxite. The technical and financial requirements for natural resource development activities, however, are enormously large. Consequently, Japanese enterprises attempting to develop foreign raw material sources typically do so by joint arrangements. This form of collaboration reinforces various other trends mentioned above that tend to promote oligopoly and concentration in the domestic economy.

The expansion of heavy and chemical goods production, as well as the inception of sophisticated "systems" industries such as atomic energy, space development, data processing and transmission, oceanography, and electronics, is contributing to the gradual liquidation of the backward sector of Japan's dual economy. The productivity of firms with fewer than 100 employees is on the average less than half that of the largest enterprises.* Liquidation of the backward sector is taking place partly by nonreplacement of factors exhausted through natural attrition and partly by the outright reallocation of factors from declining to modern industries.

The slowest rates of progress in modernization are to be observed in the fields of distribution and agriculture.† Along with attenuation of the labor force, these laggard performers are among the most important factors contributing to the inflationary trend of domestic prices. Inefficiency in wholesaling is revealed by the fact that in 1960, Japan had one wholesale shop for every 5.3 retail shops and one wholesale

* In Japan, the term "small and medium size enterprises" is defined as follows: in manufacturing industries, those enterprises that employ 300 or fewer workers, or are capitalized at ¥50 million or less; in the commercial and service sectors, those enterprises that employ 50 or fewer workers, or are capitalized at ¥10 million or less. During 1969, out of a total labor force of 51 million, approximately 20 million workers were employed in small and medium size enterprises.

† See Table 18 regarding forecasts for agriculture.

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Table 18
SELECTED DIMENSIONS OF JAPANESE AGRICULTURE,
1963 AND FORECAST FOR 1980

	1963	1980
1. Persons Engaged in Agriculture		
Number of persons engaged in farming	12,000,000	6,000,000
Farm household population	31,900,000	15,000,000
Number of farm households	5,908,000	3,000,000
2. Farmland Acreage (hectares)		
Total farmland acreage	6,100,000	6,600,000
Land under cultivation	6,100,000	6,300,000
Grassland (newly developed)	---	1,300,000
Planted acreage	7,900,000	8,300,000
(rice acreage)	3,300,000	3,300,000
3. Land Productivity (yield per hectare, in tons)		
Rice	4.0	5.5
Wheat	2.5	4.5
Vegetables	20.7	25.0
Fruit [†]	15.6	18.0
Hay	24.4	90.0
4. Labor Productivity (man-hours per ton)		
Rice	389	73
Wheat	350	33
Vegetables	186	48
Fruit	256	88
Milk cows	187	24
Pork	186	20
5. Nutrition Level (per person per day)		
Calory intake	2,346	2,750
(of which rice)	1,071	850
Protein (grams)	71	88
(of which animal protein)	20	38
Oil and Fat (grams)	41	78
Ratio of starchy food (percent)	64	46
6. Production Amount (tons)		
Rice	12,810,000	12,650,000
Wheat	1,630,000	2,250,000
Vegetables	13,140,000	17,500,000
Fruit	3,520,000	11,900,000
Milk	2,760,000	13,500,000
Beef	200,000	400,000
Pork	270,000	1,300,000

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Table 18 (concluded)

	1963	1980
7. Price Levels (producer prices in yen)		
Rice (60 kg)	5,214	4,300
Wheat (60 kg)	2,394	1,600
Vegetables	---	---
Fruit	---	---
Fresh Milk (1 gal = 0.0478 U.S. gal.)	6.4	7.0
8. Production Amount in Monetary Terms ^a (billions of yen)		
Total	2,440	5,074
Rice	1,110	950
Wheat ^b	30	60
Vegetables	250	770
Fruit	170	710
Fresh milk	90	340
Pork	110	460
9. Agricultural Income (billions of yen)		
Total	1,480	2,900
10. Total Labor Hours (billions of hours)	14.8	5.4
11. Farm Income (in yen)		
Per household (annual amount for full-time farm households; part-time farmers excluded)	132,000	1,000,000
Per-hour income	100	545
Rice	---	670
Vegetables	---	596
Fresh milk	---	340
12. Amount of Investments Required, 1966-1980 (trillions of yen)		
Total amount of investments related to agriculture	11.0	
Amount of investments in the agricultural sector	8.8	
13. Imports of Agricultural Products for Foodstuff (billions of yen)		
Amount of foodstuff imports	1.5	4.0

^a Figures for wheat are for 1962, as the crop was exceptionally poor in 1963.

^b The harvest amount for fruit is the per unit harvest amount for planted acreage, excluding fruit trees that have not been organized into orchards.

^c Production in monetary terms is the amount remaining after deduction of reinvestments.

SOURCE: Sangyo Keikaku Kaigi (Council for Industry Planning), Series No. 4, Japanese Agriculture Fifteen Years Hence (1980), Tokyo, 1969.

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worker for every 1.8 retail workers.* The wholesale distributive network is extremely long, containing many intermediate steps; consequently warehousing requirements are excessively large. At the retail level, the distributive chain includes an excessive number of small family shops. Because of the duplication of facilities, the comparatively small role of mass merchandising activities and the persistence of inefficient, traditional practices, the cost of distribution amounts to almost 30 percent of the GNP and about 50 percent of retail prices.† It is clear that mass merchandising and modernization of distribution will eventually become an important source of support to Japan's growth rate. According to the schedule for commodity and capital import liberalization, the field of distribution is one of the last to be exposed to foreign competition. The force of such competition, particularly from the United States, will be one of the major reasons for the progress which may be anticipated in distribution during the coming decade.

The structural reform of agriculture is a task for the 1970s that is both more difficult and more pressing than most of Japan's other structural problems. The difficulties in agriculture include overproduction of rice, accumulation of rice surpluses in storage, rising farm prices, and the persistence of inefficient small-scale farm operations. Despite subsidies and protection from imports, the degree of Japan's

* John A. Price, "A Classification of Japanese Retail Facilities," unpublished manuscript, 1966.

† If "modern" retailers are construed to include department stores, supermarkets, and chain stores, the proportion of retail sales transacted by modern retailers in Japan amounted to 17 percent in JFY 1968. In the United States, the proportion of total retail sales transacted by department stores, discount stores, and supermarkets amounted to 44.3 percent in 1968. Japan Economic Journal, 24 February 1970.

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self-sufficiency in food (in terms of calories) was 70.0 percent in 1963. According to one estimate, it will decline to 58.9 percent in 1980.

Overproduction of rice has been subsidized through the Foodstuff Control Special Account. The rice subsidy alone is already equivalent to more than one percent of the GNP, and if it increases at the present rate would exceed two percent by 1975. Needed policy measures include transferring of rice acreage to the production of other crops, denial of further increases in the official price of rice, improvements in the processing and distribution of rice, and agricultural import liberalization.

The protectionist argument against agricultural import liberalization emphasizes the fact that a good deal of time may be needed by farmers in order to accomplish the transition out of rice and into other more desired outputs such as livestock and orchard farming. If agricultural imports were to be liberalized abruptly, indigenous production along these lines would have insufficient time to become firmly established. In the meantime, import restrictions and agricultural inefficiency reinforce various factors external to agriculture--such as the labor shortage and the high cost of distribution--which are promoting inflation in Japan.

Projections of Japan's agricultural situation to 1980 must take account of various complex variables. To what extent will rice acreage be utilized for other crops or wholly withdrawn from agriculture? To

Saigyō Keikaku Kaigi (Council for Industry Planning), Series No. 4, Japanese Agriculture: Fifteen Years Hence (1980), Tokyo, 1969.

In JFY 1969, the Consumer Price Index rose by 6.4 percent. Contributing to that increase, the price of vegetables rose by 28.2 percent; dried foods rose by 19.1 percent; fresh fish by 16.9 percent; and fruits by 15.0 percent. Prime Minister's Office.

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what extent will small farms be consolidated and modernized? Which of several possible alternative strategies will be selected by the Japanese government with regard to coordination of production, consumption, and imports of food?† As estimated by the Ministry of Agriculture and Forestry, by 1977 Japan will be self-sufficient in the production of rice, potatoes, eggs, and vegetables, but will need to import wheat, soybeans, pulses, oilseeds, dairy products, meat, and certain fruits. The conjectural outcome of these variables makes it especially difficult to project the role of the United States as an agricultural supplier to Japan. In 1968, the United States supplied foods, beverages, and agricultural raw materials‡ to Japan valued at \$1,013 million; Japan's total agricultural imports in that year were valued at \$3,389 million. Thus in 1968, the United States provided 30 percent of Japan's agricultural imports, as compared with 34 percent in 1965. This relative decline in recent years may very well be an indicator of further declines to come during the decade of the 1970s. As mentioned above, the Japanese government is carrying out a deliberate and systematic policy of diversification of import sources, particularly with regard to food and industrial raw materials. Paradoxically, it may be this policy--rather than the ostensible policy of protecting domestic agriculture during its transition period--that substantially accounts for the reluctance of the government to

* For these purposes, revision of the Agricultural Land Law and the Agricultural Cooperatives Law will be required. The outcome will be affected by the farm cooperative associations, which constitute one of the most powerful pressure groups in Japan.

† An evaluation of these alternatives is presented in United States Department of Agriculture, Economic Research Service, Foreign Agricultural Economic Report No. 53, Japan's Food Demand and 1985 Grain Import Prospects, June 1969.

‡ Chiefly, these included soybeans, cotton, wheat, feed grains, tobacco, cattle hides, and tallow.

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liberalize agricultural imports, for the longer agricultural imports remain unliberalized, the better is the opportunity for suppliers outside the United States to obtain a foothold in the Japanese market.* The Japanese government is quietly adept at political and economic maneuvering of this type.

From a Japanese point of view, the benefits of liquidating the agricultural sector should also not be overestimated. The exodus of labor from agriculture alleviates the labor shortage to a less than apparent degree, for over 80 percent of farm families already engage in sideline nonagricultural work to some extent. This would have to be evaluated in the calculation of the net reallocation effect.

C. Economic Planning

Projection of the changes in the structure of industry discussed above is an essential task of Japanese economic planning. During the decade of the 1970s, some key industries in the heavy and chemical category will have disseminated their products to an extent proportional to that in the United States and Western Europe. Automobiles and steel seem likely to do so in the early part of the decade. Domestic demand for such products, therefore, emphasizing replacement rather than initial purchase, may begin to taper off. Thus by the mid-1970s, when Japan's share of the world market may already be as high as ten percent, the pressure to expand exports will become increasingly intense. At this

* For example, Japan is showing an increasing interest in agricultural imports from Australia. One of the important reasons, apart from diversification of sources, is Australia's rising potential as a market for Japanese industrial goods. See United States Department of Agriculture, Economic Research Service, Foreign Agricultural Economic Report No. 289, Japan's Farm Commodity Market: A View of U.S. Australian Competition, March 1970.

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point, Japan's pattern of resource allocation will be tested anew. Will Japan continue to maintain a comparative advantage in heavy and chemical goods, and if so, will this be sufficient to support uninterrupted growth? If not, will the sophisticated "systems" industries be able to assume the burden of supporting the growth rate?

According to the Mitsubishi Economic Research Institute, industries such as housing construction, information, and electronics will achieve their mature growth during the period 1965-1974. In the same period, new industries such as air transport, urban development, space, and oceanography will be introduced. The new industries will show rapid progress during the period 1975-1984. A summary of the official plans of the Japanese government during the postwar period is given in Tables 19, 20, and 21.

Heretofore, the predictive accuracy of Japanese economic plans has been reliable only for a brief period. In general, as can be seen in Table 19, performance has exceeded expectations. Consequently, the Economic Planning Agency revises the original published version of each plan on an annual basis.* For the period 1970-1975, the Economic and Social Development Plan now projects a GNP growth rate of 10.6 percent in real terms. As a dramatic measure of Japan's advance, it is clear that at the present rate of growth, by the mid-1970s Japan will constitute an economic unit larger than that of West Germany and France combined.

By 1975, the Economic and Social Development Plan projects an expansion of 1.8 times in the real magnitude of the Japanese economy as compared with its size in the base year 1970. The nominal or market

*Also, as can be seen in Table 19, an entirely new plan may be adopted before the period of the preceding plan has expired.

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Table 19

POSTWAR ECONOMIC PLANS OF THE JAPANESE GOVERNMENT:
 PLANNED AS COMPARED WITH ACTUAL GROWTH RATES

Plan	Date of Compilation	Period	Real Economic Growth Rates	
			Planned	Actual (in percent)
Five-Year Plan for Economic Self-Support	December 1955	1956-1960	5.0	9.1
New Long-Range Economic Plan	December 1957	1958-1962	6.5	10.1
National Income Doubling Plan	December 1960	1961-1970	7.2	10.4*
Medium-Term Economic Plan	January 1965	1966-1969	8.1	10.0
Economic and Social Development Plan	March 1967	1967-1971	8.2	12.0†
Economic and Social Development Plan	April 1970	1970-1975	10.6	---

* For the period 1961-1966.

† For the period 1967-1969.

SOURCE: Economic Planning Agency, Japanese Government.

value of GNP in the target year is expected to attain a level of \$394 million, while per capita national income is expected to be \$2,778. During the six-year period of the plan, investment in private equipment is expected to increase at an annual rate of 12.5 percent, while public investment in economic infrastructure will increase from 10.7 percent annually in the former plan to 13.5 percent annually in the present plan. Government fixed capital formation in 1975 is expected to constitute

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Table 20

ECONOMIC AND SOCIAL DEVELOPMENT PLAN, FISCAL YEARS 1970-1975:
PROJECTED AVERAGE ANNUAL RATES OF INCREASE AS COMPARED WITH 1963-1968

Economic Category	Average Annual Rates of Increase	
	FY 1963-1968	FY 1970-1975
	(in percent)	
<u>Key Assumptions</u>		
World imports (real terms, Japan excluded)	8.5	7.5
Labor force	1.6	1.1
Government current purchase of goods and services (real)	6.4	6.5
Government capital formation (real)	10.7	13.5
Government transfers to private individuals (nominal)	18.4	19.6
Tax burden ratio	21.1*	22.9
<u>Major Indexes</u>		
Gross national product (real)	11.1	10.6
Private consumer spending (real)	8.9	9.3
Private investment, plant and equipment (real)	13.7	12.5
Private housing investment (real)	17.6	16.5
Exports (real)	16.3	14.7
Imports (real)	14.8	15.3
Gross national product (nominal)	16.0	14.7
National income (nominal)	15.5	13.9
Corporate income (nominal)	18.6	12.9
Consumer prices	5.2	4.4
Wholesale prices	1.4	1.0
Income per employed worker (nominal)	12.2	12.2
Index of industrial production and mining	14.0	12.5
Current account of the balance of payments (nominal): in millions of dollars	1,520*	3,490†
Per capita national income	1,361‡	2,778†

* Fiscal year 1968

† Fiscal year 1975

‡ Fiscal year 1969

SOURCE: Economic Planning Agency, April 1970.

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Table 21

GROSS NATIONAL EXPENDITURES: ECONOMIC AND SOCIAL DEVELOPMENT
PLAN FOR 1975 AS COMPARED WITH PERFORMANCE IN 1968 AND 1969

National Expenditures Account *	FY 1968 (actual)	FY 1969 (estimated)	FY 1975 (planned)
A: In Terms of Market Prices (billions of yen)			
Gross national expenditures	52,780.3	62,550	141,990
Personal consumption expenditures	27,478.2	31,920	70,740
Government purchase of goods and services	4,408.6	5,110	11,210
Government fixed capital formation	4,588.9	5,270	13,490
Private investment, plant and equipment	9,903.3	12,500	26,480
Private investment, housing	3,373.7	4,220	15,120
Balance of payments surplus on current account	608.1	830	1,450
B: In Terms of Constant Prices (billions of 1965 yen)			
Gross national expenditures	46,298.7	52,400	95,990
Personal consumption expenditures	23,769.5	26,220	44,700
Government purchases of goods and services	3,560.0	3,790	5,530
Government fixed capital formation	4,108.2	4,530	9,680
Private investment, plant and equipment	9,333.7	11,410	23,150
Private investment, housing	2,723.0	3,190	7,970
Balance of payments surplus on current account	558.8	730	1,710
C: "A" Expressed in Terms of Dollars (billions of dollars)			
Gross national expenditures	146.6	174	394
Personal consumption expenditures	76.3	89	197
Government purchases of goods and services	12.2	14	31
Government fixed capital formation	12.7	13	37
Private investment, plant and equipment	27.5	35	74
Private investment, housing	9.4	12	42
Balance of payments surplus on current account	1.7	2	4

* Breakdown excludes increases in inventory.

SOURCE: Economic Planning Agency, April 1970.

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9.5 percent of gross national expenditures as compared with 8.4 percent during 1969. On the other hand, private investments in plant and equipment will amount to 18.7 percent in 1975 as compared with 20.0 percent during 1969. Thus it is evident that no substantial change in the proportions of public and private investment in relation to gross national expenditures is contemplated during the course of the present plan.

Despite the high growth rate projected by the new plan, the rate of increase in prices is optimistically anticipated to be low. It is expected that consumer prices will increase by 4.4 percent annually and that in 1975 the increase will be reduced to 3.8 percent. (For purposes of comparison, it might be noted that the consumer price index in March 1970 was 8.3 percent higher than during the same month of the preceding year.) Wholesale prices are expected to increase at an annual rate of 1.0 percent during the period of the plan. (In contrast, the wholesale price index during March 1970 was 5.0 percent higher than during the same month of the preceding year.) For the first time in a government plan, moreover, anticipated wage increases have been specified; during the period 1970-1975, the average annual rate of increase is expected to be no more than 12.1 percent. (During 1969, wage increases exceeded 17 percent.) At the same time, however, labor productivity is expected to increase by 9.5 percent annually. A wage-productivity gap is thus built into the plan.

Externally, the plan assumes that Japan's exports will increase at a rate of 14.7 percent annually, while the rest of the world's imports are expected to increase only at a rate of 7.5 percent annually. The value of Japan's exports in 1975 are projected at a level of \$37,400 million. Imports, on the other hand, are expected to increase at a rate of 15.3 percent annually, and to attain a projected level of \$29,600 million in 1975. Accordingly, the merchandise trade balance is expected to show a surplus of \$7,800 million in 1975 (as compared with a surplus

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of \$3,800 million in 1969), and the current account as a whole is expected to show a surplus of \$3,490 million in 1975 (as compared with a surplus of \$2,100 million in 1969).

In previous plans, the Japanese government has been constrained by the fact that imports have had a chronic tendency to exceed exports during periods of economic expansion. In recent years, and in the midst of unprecedented prosperity, this tendency seems to have been reversed. This is the fundamental point of departure for the boldly optimistic six-year program announced in April 1970. Despite its optimism, however, the plan does not provide for abandonment of Japan's foreign exchange controls and for internationalization of the yen. This fact reveals the desire of the Japanese authorities to preserve the maximum degree of control compatible with pro forma "liberalization" of the economy. Implicit in the tenacious retention of foreign exchange controls and other economic controls is an anti-liberalist bias on the part of the Japanese authorities. In the event of any crisis arising either from within or from without, this bias, and the tradition which legitimates it in Japan, would become very explicit in the formulation of countermeasures.

The dynamic nature of Japan's present economic transition makes long-term projection a rather hazardous task. However, in its "long-range economic outlook," the Economic Planning Agency has prepared estimates for 1980 and for 1985. The median version of these estimates is presented in Table 22. The projection for gross domestic product (which equals the gross national product minus net income received from abroad) assumes that the economy will grow at a rate exceeding 10 percent in each year between 1968 and 1985.

Since Japanese economic plans are essentially a product of collaboration between the Economic Planning Agency and key representatives of business, the announced projections are in effect an expression

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Table 22

SELECTED DIMENSIONS OF THE JAPANESE ECONOMY:
1968 AND FORECAST FOR 1980 AND 1985

Economic Category	1968 (actual)	1980 (forecast)	1985
A: In billions of yen, 1965 prices			
Gross domestic product	45,594	172,780	296,050
Private investment, plant and equipment	9,039	34,124	57,316
Private investment, housing	2,677	12,865	21,311
Government fixed capital formation	3,951	16,038	29,804
Balance of payments surplus, current account	411	4,482	8,896
Exports	5,355	31,700	65,267
Imports	4,944	27,218	56,371
B: "A" expressed in billions of dollars			
Gross domestic product	127	480	822
Private investment, plant and equipment	25	88	159
Private investment, housing	7	33	55
Government fixed capital formation	11	45	83
Balance of payments surplus, current account	1	12	25
Exports	15	88	181
Imports	14	76	157
C: In specified units			
Labor force (thousands of persons)	49,970	56,240	58,340
Per capita income (dollars)	1,000	3,310	5,450

SOURCE: Economic Planning Agency, May 1970.

of the desires and expectations of big business. The projections therefore constitute a guideline for any business that hopes to maintain its relative market share. In order to do so, each individual business must expand at least to the extent specified in the plan as the average for the economy or for the particular industry as a whole. Since in Japan

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the maintenance of market shares has greater priority than making profits, the mere "announcement effect" of each plan has in the past been sufficient to achieve fulfillment or overfulfillment of the plan. Because of the structural difficulties and bottlenecks that lie ahead during the decade of the 1970s, however, various disappointments might occur in alternative conceivable sequences. These are included in the summary that follows.

III Factors Affecting Policy Responses to Economic Contingencies

Aggregating the elements of Japan's strength and weakness, what is the most convincing projection of the trend line of its growth in GNP? During the early years of the decade of the 1970s, it is reasonable to expect growth to average between 10 and 12 percent in real terms annually, as foreseen by the Economic Planning Agency. By the midpoint of the decade, however, because of overheating, bottlenecks and structural disparities, the economy may for the first time perform with less vigor than expected by EPA, namely at a rate of growth lower than 10 percent. By the end of the decade, the chief determinants of Japan's growth will no longer be of domestic origin. At that time the critical factors will include changes in the international financial and trading system, the nature and degree of regionalization in world trade, and the scope of Japan's commitments to communist as contrasted with noncommunist countries. There can be little doubt that Japan's dependence on the world economy will be substantially greater in 1980 than in 1970.

In assessing Japanese capabilities to cope with economic contingencies, a distinction may be drawn between those responses or policies that are reversible as contrasted with those that are irreversible. Since World War II, characteristic responses have included the application or withdrawal of subsidies, the application or withdrawal of foreign exchange and trade controls, variations in the degree of economic

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control by means of monetary and fiscal measures, and variations in a host of "administrative guidance" policies. As Japan moves into the 1970s, however, some of the key changes that are taking place in response to disequilibrating impacts are of a less reversible, if not entirely irreversible, nature. The increase in the degree of economic concentration, for example, is probably irreversible. (If not for the Occupation, deconcentration would never have taken place in Japan.) Liquidation of the dual economy and reallocation of agricultural resources are also probably irreversible. (The latter may have a fateful impact in the decade of the 1980s, when a world food shortage may become acute.) Increased social security expenditures by the government are probably irreversible. Similarly, increases in military expenditures are probably irreversible. These irreversible changes reduce the flexibility of possible government response to future internal or external impacts on the Japanese economy, which in turn will influence Japan's foreign and military policies.

While flexibility of response will be reduced, various factors, as mentioned above, will continue to increase the degree of instability in the Japanese economy. Of course, as the economy grows, its ability to absorb and withstand the impact of disequilibrating events will also increase. While Japan's rate of growth is very impressive, its stock of capital resources is still comparatively small. In contrast with outsiders, who are largely oblivious of this distinction, Japan's policymakers are acutely aware of the economy's thin layer of reserves. For this, as well as for purely psychological reasons, the mood of economic policy in Japan tends to swing violently from one extreme to another, waves of optimism and pessimism alternating in rather abrupt succession.

As an offset to the irreversible factors and the factors making for greater instability, a considerable amount of institutional change is

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taking place in Japan, which seems likely to increase the efficiency and adaptability of the economy. In terms of the labor force, for example, various innovations are being progressively adopted. These include restriction of life-tenure employment arrangements, establishment of criteria for promotion on the basis of merit rather than age and service, and greater utilization of the services of women and older persons.

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Appendix I

EXTERNAL ECONOMIC TRENDS

I Factors Affecting Japan's Growth

Some of the factors affecting Japan's growth are indigenous and some originate in the world economy. Given Japan's physical and social resources and the structure of its institutions, some of these factors are permissive of growth and others actively impel growth. Factors also exist both within and outside Japan that constrain growth. Interaction among the internal and external factors, and among the positive and constraining factors, gives rise to the observed results of Japan's actual growth. The task is to identify these factors, assess their elements of strength and weakness, and attempt to analyze their interactions. This will help provide a basis for the projection of trends for the decade of the 1970s.

A. The Ingredients of Growth

Although Japan's postwar growth has been spectacular, it has also been highly unstable. This can be seen by identifying the ingredients of growth since World War II, many of which either lie directly on the international plane or are interrelated with international factors. Despite Japan's high rate of growth, moreover, its dependence on the world economy has been increasing rather than decreasing in the course of time.

Following World War II, economic aid received from the United States and institutional reforms imposed upon Japan during the Occupation

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were the first of various growth factors arising from external sources. With the outbreak of the Cold War, Japan assumed critical strategic importance to the United States, and thus it became the beneficiary of another highly dynamic external growth factor. In 1950, when the Japanese economy seemed due for a difficult period of readjustment, it was rescued by the outbreak of the Korean War, which transformed the impending depression into prosperity. Between 1950 and 1968, the total receipts from United States Special Procurement expenditures in Japan amounted to approximately \$9 billion.*

As a result of the Vietnam War, the total direct and indirect contribution of United States military expenditures to Japan's balance of payments probably amounts to more than \$1 billion annually at the present time.† With the progressive disengagement of United States military forces from Vietnam as well as from the Okinawa military base, it seems likely that Japan's windfall benefits from this source will progressively decline.

Technical innovation based chiefly on the acquisition of patents and knowhow from abroad is another critical ingredient of Japan's growth rate. The "catching up" process, however, has now been substantially completed, and it has become progressively more difficult for Japan to acquire technology of more sophisticated kinds from abroad. During the period 1951-60, 53 percent of the technology induction cases were subject to restrictions on the marketing area in which products resulting from the use of such technology could be sold. By 1966, the percentage had

* Over and above the Special Procurement receipts, Japan received American aid during the period 1945-56 amounting to \$2.1 billion.

† Indirect benefits include increased exports to Korea, Taiwan, Thailand, Hong Kong, the Philippines, and South Vietnam due to dollars expended by the United States in those areas.

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increased to 71 percent. Similarly, acquisition of foreign technology on a licensing basis has become progressively more difficult to arrange, since the foreign suppliers of such technology demand equity participation and a share in the profits in return for their services. At the same time, the effort being made by Japan to establish an independent research position on the frontier of modern sophisticated industries lags greatly behind that of the United States. For example, in 1967 the ratio of R and D expenditures to national income was only 1.8 percent in Japan, approximately half the ratio in the United States. Moreover, the process of patent registration in Japan takes an inordinate amount of time and constitutes a barrier to innovation. Another barrier exists in the form of institutional rigidities that make it difficult for ideas or personnel to move freely among government, industrial, and academic research agencies.* In terms of R and D activities, therefore, Japan is highly dependent on the West and undoubtedly will remain so to a substantial degree during the decade of the 1970s.

The active role of the government has been a critically important growth factor, a role that to a significant extent has been made possible by the fact that the United States has provided defense services at no net cost to Japan. The savings on military expenditure have facilitated direct and indirect investments by the Japanese government and enabled the government--for example through the tax system and through the banking system--to increase its subsidies for economic development.†

* These matters are discussed in the White Paper on Science and Technology for fiscal year 1968, issued by the Science and Technology Agency.

† Government subsidies include loans at low interest rates to key industries and key firms. Supplies of both foreign exchange and domestic currency have been made available by semigovernmental institutions such as the Japan Development Bank, The Japan Export-Import Bank, and the Japan Long-Term Credit Bank.

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Thus Japan's economic growth has been indirectly subsidized by the United States. This subsidy will continue to be a significant growth factor for Japan during the 1970s.

Favorable terms of trade, resulting from the depressed prices of primary goods and shipping, have provided another windfall of external origin affecting Japan's postwar growth.

The force of external circumstance, combined with good management, has also transformed Japan's remarkably poor endowment in physical resources from a disadvantage to an advantage. Because of its access to cheap supplies of food and industrial raw materials abroad, it can be said that Japan's growth has been accelerated because of rather than in spite of its shortage of indigenous raw materials. This can clearly be seen, for example, in the case of the iron and steel industry, which is highly deficient in domestic supplies of iron ore and coking coal. As an alternative, Japan has arranged long-term contracts for the import of high-quality raw materials from newly developed sources in various parts of the world. These are imported in specially developed bulk ore carriers, giving Japan a lower cost per unit of raw material input than that of some other countries whose "captive" domestic sources are being depleted. Some of the new foreign sources of raw material supply are being developed with the aid of Japanese joint-venture capital. Provided that Japan can continue to increase its commodity exports so as to accumulate supplies of foreign exchange necessary to sustain further capital exports, it seems evident that this ingredient of Japan's growth will continue to be viable and dynamic during the decade of the 1970s. More is said on this matter below.

The role of government as a critical growth factor is linked with institutional phenomena in the private sector that make the government's intervention particularly effective. The latter includes a high

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rate of investment, which, like government intervention itself, is in turn interrelated with factors lying on the international plane.

Gross investment in Japan amounts to about one third of the gross national product. (In the United States the figure is about fifteen percent.) This performance is basically motivated by the rivalry of Japan's major oligopoly firms, which compete with each other for market shares. Characteristically, investment by Japan's giant firms is a supply-leading phenomenon--that is, investment in plant capacity is undertaken ahead of realized market demand and without regard for the prospect of immediate profits. The financing of these investments in plant and equipment imparts a powerful stimulus to domestic demand, which eventually "catches up" with the supply potential previously installed. These successive bouts of speculative investment and consequent increases in demand are a highly unstable mechanism for growth, but they are at the core of Japan's economic "miracle." The mechanism is linked on the international plane with loans from foreign banks (mainly in the United States) that help to finance the investment.

The process of supply-leading or speculative investment is interrelated on the international plane with the process of "supply-oriented" exports. In creating excess capacity, the supply-leading mode of investment generates enormous pressure on firms to find outlets in exports when the domestic market is slow in "catching up" with the newly created supply capacity.* In cutting prices and entering the export

* This pressure results from the fact that a high proportion of the total cost of firms exists in the form of fixed cost. The high ratio of borrowed capital mentioned above results in high fixed interest charges. It is not unusual for a firm to pay out 30 percent of its earnings before taxes in the form of interest. Where labor is hired on a life-contract basis, this component of cost is also not variable. Unless the high fixed overhead costs are discharged, firms are subject to bankruptcy. Consequently in slack times they are willing to reduce prices below total average costs in order to earn even a small margin above variable costs that could be contributed to the reduction of fixed costs.

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market on a crash basis, the Japanese manufacturing firm is powerfully assisted by the trading company, which distributes its products both at home and abroad. These institutional factors partly account for the accusations against Japan concerning "unfair competition" and "dumping" in foreign markets. At the same time, it should be recognized that the investment process also creates competitive power for Japan in the form of plants that utilize new technology and that are capable of levels of output where real economies of large-scale output are attained.* Another important aspect of the supply-leading mode of investment activity is that it results in a transfer of resources from areas of low productivity in the backward sector of Japan's dual economy to areas of high productivity in the modern heavy and chemical industries.

The very process of transferring resources from the backward to the modern sector, however, carries adverse implications for the strategy of supply-oriented exports. Surplus products of the modern heavy and chemical goods industries cannot be erratically thrust upon the world market by aggressive price-cutting campaigns without causing disruption abroad and invoking retaliation. This fact has been recognized in Japan and has given rise to a new mode of export promotion and foreign market development that is more dependent on customer contacts and after-sales servicing, as distinguished from exclusive emphasis on price. It is clear that this trend will continue into the 1970s. Consequently, the international market will in the future no longer serve to the same extent as in the past as a balancing wheel for domestic economic instability. Indeed, for various reasons discussed below, the international economy is likely to act as a constraint upon Japanese

* However, the shortage of technically trained personnel as well as the insufficient facilities for technical training in Japan are serious bottlenecks that offset Japan's advantages in the form of modern plant and equipment.

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growth during the 1970s instead of as a stimulus as was the case during the 1960s. This suggests that in the future Japan will be obliged to adopt policies more in accord with principles of balanced growth as distinguished from former policies that emphasized unbalanced growth.

In confining our attention to economic growth factors that are directly affected by interactions on the international plane, this discussion has omitted reference to factors chiefly or exclusively of domestic concern. The latter, of course, are also of great importance in explaining the nature and prospects of Japan's economic growth. Among purely indigenous factors are the literate, skilled, and diligent labor force, the mechanism of the dual economy, the role of monetary and banking policy, and Japan's capacity for organization. Also omitted is a discussion of Japanese economic planning.

B. Strategic Elements in the Balance of Payments

The balance of payments includes four main categories: the current account, the capital account, the gold account, and errors and omissions. The current account, comprising merchandise trade and services (or "invisibles"), includes all foreign transactions that create or consume national income. The capital account includes all changes in claims on one country by another that are owned by one country and owed by the other. For our purposes, the strategic elements of Japan's balance of payments are found within the current account and the capital account. (Japan holds a very small proportion of her reserves in the form of gold, and the errors and omissions category is merely a balancing item.)

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I. Trade Balance

Characteristically, prior to 1965, the deficit in the current account (Table 23) was made up by a surplus in the capital account.

Table 23

CURRENT ACCOUNT OF JAPAN'S BALANCE OF PAYMENTS,
BY YEAR, 1956 to 1968
(millions of dollars)

Calendar Year	Current Account Balance	Trade Balance	Services Balance			
			Total	Transportation	Special Government Receipts	Other Services
1956	-59	-125	65	-310	498	-123
7	-586	-395	-191	-513	449	-127
8	463	376	88	-172	404	-144
9	389	365	24	-189	381	-168
1960	168	271	-103	-284	413	-232
1	-940	-558	-382	-476	382	-288
2	-19	401	-420	-412	337	-375
3	755	-155	-599	-415	338	-492
4	-407	377	-784	-449	308	-643
1965	1,017	1,901	-884	-524	308	-668
6	1,387	2,275	-888	-608	444	-724
7	-12	1,160	-1,172	-816	475	-831
8	1,223	2,529	-1,306	-869	552	-989

SOURCE: International Monetary Fund, International Financial Statistics, various issues.

In 1965 and 1966, however, the current account became favorable because of a substantial improvement in the merchandise trade balance. Despite the fact that the services component of the current account has progressively deteriorated into deeper deficit, the deficit has been matched or exceeded by the merchandise surplus. Consequently, beginning in 1965,

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a substantial long-term capital outflow from Japan has taken place.* In 1967, however, the merchandise trade surplus declined, which, together with the continuing high level of long term capital outflow (reaching a peak of \$812 million in that year), resulted in a deficit of more than a half billion dollars in the overall balance of payments. (See Table 24.) In the meanwhile, except for 1965 and 1966, a substantial amount of short-term capital inflows have been taking place.

Table 24

JAPAN'S BALANCE OF PAYMENTS: OVERALL BALANCE,
BASIC BALANCE, LONG-TERM AND SHORT-TERM
CAPITAL MOVEMENTS
BY YEAR, 1961 to 1968
(millions of dollars)

Calendar Year	Overall Balance	Basic Balance	Long-Term Capital	Short-Term Capital
1961	352	392	10	21
2	236	123	172	108
3	-161	-312	467	107
4	-130	-373	107	233
1965	404	517	-414	-62
6	335	442	-809	-64
7	-571	-1,004	-812	507
8	1,102	803	-245	202

SOURCE: Economic Planning Agency, Economic Statistics.

* It should be noticed that even before 1965, Japan was exporting long-term capital to Southeast Asia on the one hand, while on the other she was borrowing long-term capital from the United States. Private Japanese companies borrowed from the United States in order to be able to engage in joint ventures in Asia; by means of these joint ventures they were able to increase their merchandise exports.

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In looking at these major components of the balance of payments in relation to the overall balance, the highly erratic nature of Japan's experience in recent years is very striking. Within the overall balance, the most persistent trend is the steady deterioration of the services account. The merchandise balance, especially when viewed in terms of Table 24, makes enormous swings over short periods. In the merchandise account, Japan depends heavily on the external environment, particularly on economic conditions in the United States. As mentioned above, some have argued that Japan's increased competitiveness, due to the efficiency of its newly installed plants, provides it with a "permanent" advantage in world markets. Other countries, however, are likewise making progress on the supply side and during the coming decade may well "catch up" with Japan just as Japan stole a march on the West during the 1960s. On the demand side, moreover, current trends suggest that restrictive policies in the world community will impose new constraints upon Japan's balance of payments during the 1970s.

The basic balance, which includes the combined balance on current account and long-term capital, is supposed to represent the stable, enduring tendency of the balance of payments. As can be seen in Table 24 however, the basic balance in the case of Japan is even more unstable than the overall balance. Among other items, the long-term capital account includes the statistics of foreign (mostly United States) purchases of Japanese securities. Although these have become progressively more important, increasing from \$66 million in 1967 to \$225 million in 1968, and although they help account for the net decline in long-term capital outflow during that interval, foreign portfolio investment in Japan is singularly volatile and haphazard and probably should be classified as short-term rather than as long-term capital. It is reasonable to expect that recessionary intervals in the Japanese economy during the 1970s will be marked by precipitous withdrawals of

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portfolio investments from Japan, imparting an important degree of instability to the long-term capital account. Trade credits granted to Southeast Asian countries in conjunction with their purchases of Japanese heavy and chemical goods are another important component of the long-term capital account. The potential squeeze that may be exerted by liquidation of foreign portfolio investment during Japanese recessions will automatically constrain Japan's ability to provide long-term credits during precisely that phase of the business cycle when they will be most essential for export promotion.

The short-term capital account of the balance of payments also contributes to Japan's economic vulnerability, because a large proportion of the loans extended at short term by United States banks to Japanese banks is relent by the latter for long-term purposes. These loans are not really regarded by the United States banks as short-term loans inasmuch as they are regularly renewed. However, in the event of a recession or an emergency, they would be subject to early collection and could place Japan in serious difficulties. During recent years, Japan has had about \$2 billion outstanding with United States banks, as well as about \$1 billion more in the form of Eurodollar loans.

One of the most important categories of short-term funds provided to Japan by external money markets (mostly in the United States) is import usance, which is credit extended by foreign banks for the finance of Japanese imports. Usances are not included, however, within the short-term capital category of the balance of payments, but rather are included in the "Other monetary institutions" category.

Contingency liabilities are another component of latent vulnerability within the Japanese balance of payments. Both Japanese banks and the branches of Japanese trading firms abroad provide guarantees for the loans made by Japanese nationals. Contingency liabilities

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are not reflected in the published balance of payments in any way. Moreover, the total of these outstanding guarantees and the spectrum of their maturity dates is not statistically available.

2. Foreign Exchange Reserves

The extent to which Japan can absorb the shock of balance of payments emergencies depends upon the size and composition of its foreign exchange reserves. The reserve accounts have been perhaps the most tightly managed set of accounts within the control of the Japanese government. Between 1960 and 1968, they have been managed in such a way as to maintain a total level of approximately \$2 billion. The fact that the trade, services, and capital accounts of the balance of payments have undergone major vicissitudes during this period makes it plain that the foreign exchange reserves are by no means a residual category.

In 1968, because of a combination of circumstances, the reserves were increased from \$2 billion to \$3.2 billion at the end of August 1969 (Table 25). The sources of increase included a merchandise export surplus, a rise in the volume of loans from abroad, and an increase in the purchases of Japanese stocks and bonds by foreigners. Working capital invested by foreigners in their subsidiaries in Japan is another source of increase in the foreign exchange reserves. Dollars provided by the United States military forces under Special Procurement contracts and purchases of yen by military personnel are a further source of foreign exchange. Japan may also borrow foreign exchange from the IMF.*

* Japan's present quota in the IMF is \$725 million. Japanese authorities are known to desire an increase in the quota to about \$1225 million.

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Table 25

JAPAN'S FOREIGN EXCHANGE RESERVES,
BY YEAR, 1960 TO 1968, AND AUGUST 1969
(millions of dollars, end of period)

Calendar Year or Month	Total	Foreign Exchange	Gold	Reserve Position in IMF
1960	1,949	1,577	247	125
1	1,666	1,199	287	180
2	2,022	1,553	289	180
3	2,058	1,589	289	180
4	2,019	1,495	304	220
1965	2,152	1,569	328	255
6	2,119	1,469	329	321
7	2,030	1,453	338	239
8	2,908	2,261	356	289
August 1969	3,166	2,383	363	420

SOURCE: International Monetary Fund,
International Financial Statistics.

The foreign exchange reserves arising from these various sources are held by the Japanese government partly in the form of gold, partly in the form of U.S. Treasury bills, and partly in the form of time deposits in U.S. banks. The breakdown of these components is not public information. Moreover, the foreign exchange reserves of the Japanese government that are on deposit with United States banks are utilized as collateral for usance facilities extended by U.S. banks to Japanese importers.*

* As mentioned above, "usance" is credit extended by foreign banks (usually United States banks) for the finance of Japanese imports. Import usance facilities include bankers' acceptances, bills for collection, and "refinance" (borrowing by a Japanese bank from a foreign bank in order to pay a foreign exporter, for which it is reimbursed in yen by its customer, the Japanese importer).

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Because of the high and increasing degree of Japan's dependence on foreign trade, it would be reasonable to expect that the ratio of her reserves to the level of her merchandise trade should be substantially higher than the average among her trading partners. At the end of December 1968, however, when the reported level of Japan's reserves had increased to \$2906 million, the ratio of this figure to Japan's total imports amounted to only 22.4 percent.

As can be seen from Table 26, even after the increase Japan occupies a low rank among the leading industrial nations. At the end of 1968, Japan's reserves were sufficient to pay for somewhat less than three months' imports. Actually, since a substantial although unknown component of Japan's reserves were borrowed rather than owned, its true position must have been considerably weaker than the figures suggest.

TABLE 26

RATIO OF FOREIGN EXCHANGE RESERVES TO ANNUAL IMPORTS
BY SPECIFIED COUNTRY, DECEMBER 1968

Country	Percent
Italy	52.1
West Germany	49.1
United States	43.6
France	30.2
Japan	22.4
United Kingdom	12.7

SOURCE: International Monetary Fund, International Financial Statistics.

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On the other hand, the skillful and obsessive management of the reserves by the Bank of Japan imparts a qualitative element of strength to Japan's position despite its quantitative deficiencies. The statistically observed level of Japan's foreign exchange reserves may be due in substantial degree to policy decisions as well as to the intrinsic condition of Japan's foreign trade.

C. Policies Affecting Growth

As the international sector becomes progressively more important in Japan's economy, foreign economic policies become increasingly critical as a determinant of its growth. Although to the outsider these policies may at first appear to have a monolithic aspect, they actually are the product of constant struggle and compromise among contending groups and factions within government and business. Before discussing Japan's foreign economic policies as such, it may be well to comment first on some aspects of policy formation.

1. Formation of Foreign Economic Policy

There is no central responsibility for the "national interest" in any Japanese government agency. Instead, there exist various contending agencies, parties, and factions, each promoting its own interests. Each of the principal ministries, in particular the Foreign Ministry, the Ministry of International Trade and Industry (MITI), the Ministry of Finance, and the Ministry of Agriculture and Forestry, are intimately concerned in this matter. The embassies of Japan in various countries include representatives from these rival ministries, who do not always work well together. Each ministry attempts to maintain its "sphere of influence" and resents incursions by the others. At present, however, ministerial functions are undergoing drastic change as Japan takes further steps along the path of liberalization and as it

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becomes a more active member of international organizations. Because of change in activities and shifts in responsibilities, each ministry jealously guards its prerogatives and attempts to increase its authority. In this process, the national interest may be compromised.

A particular problem concerns the fact that the government has a shortage of personnel who are both technically and linguistically competent. Therefore, economic diplomacy is no longer a monopoly of the diplomats. In order, for example, to participate effectively in OECD economic discussions, which average at least one daily, the Foreign Ministry is obliged to bring in experts from MITI and other agencies as well as technicians from private business firms. A policy conflict may arise from the fact that the Foreign Ministry is in general international-minded, whereas MITI is highly protectionist. The Ministry of Agriculture and Forestry is probably the most protectionist of all. (Within MITI, however, the International Economy Section is something of a stranger; it takes an international point of view in contrast with the inward-looking point of view of the rest of the Ministry.) Any individual representing a Ministry will practically invariably advocate the point of view of that Ministry, even if an opposing Ministry has a more valid position.

Among high ministry bureaucrats, moreover, there are relatively few who have been educated abroad. This is because a foreign education makes an individual "too individualistic" and "too rational." Japanese diplomats generally refrain from making an independent analysis. In international meetings, they tend to operate exclusively on the basis of their instructions. However, to some extent, by their very

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participation in more international meetings, Japanese representatives are being "educated" in Western ways of thinking.*

Private business groups, such as the Keidanren (Federation of Economic Organizations) and Keizai Doyukai (Japan Committee for Economic Development) also play an active role in the formation of foreign economic policy. The position of the business leaders in these groups is currently having an important impact on liberalization policy. The Ministry of Agriculture and Forestry has also utilized the good offices of private groups to conduct negotiations with their counterpart foreign organizations.

Economic diplomacy is conducted in Japan's behalf by many private organizations. Contacts between Japanese and United States businessmen in the Japan-California Association and the Japan-U.S. Midwest Association are representative of these. It may be expected that as Japan's official relations with the United States become more complex during the 1970s these private organizations will come to play an increasingly important role.

Underlying the apparatus of government policy formation and administration, with its rivalries and idiosyncrasies as indicated above, there exists a public opinion that is sometimes highly emotional and highly subject to change. Japanese public opinion can swing

* Intolerance of "individualism" in Japan's bureaucracy was demonstrated in March 1969, when Ichiro Kawasaki, Japan's ambassador to Argentina, was dismissed from his post for publishing his book, Japan Unmasked (Tuttle, 1969).

* Japanese organizations that have served in this manner include Zenhanren (National Federation of the Agricultural Sales Cooperative Associations), Zenkoren (National Federation of Agricultural Purchase Cooperative Associations), and the Central Cooperative Bank for Agriculture and Forestry.

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abruptly from one extreme to another.* The defense and security debate between Japan and the United States may have significant interactions and repercussions on the evolution of Japan's foreign economic policy during the coming decade. A problem to be solved concerns how public opinion will interact with the opportunism of pro-PRC, pro-USSR, or pro-United States factions within the government in the ultimate determination of policy. It may well be that Japan's long-established tradition of exclusivity and restrictionism will weigh heavily in the balance and will be exploited in the interests of the dominant faction.

2. The Direction of Japan's Foreign Economic Policies

Hitherto, Japan has attempted to maintain the policy of "separation of economics from politics." By courting all participants in all controversies, Japan trades with both the United States and Cuba, with both Taiwan and the PRC, with both the PRC and the USSR, with both South Korea and North Korea, with both South Vietnam and North Vietnam, with West Germany and East Germany, with Egypt and Israel. By maintaining and increasing her options, Japan has at the same time created important possibilities for the development of her trade and capital flows during the next decade.

Another important policy is that of foreign economic liberalization. This refers to relaxation of controls over commodity and capital flows and relaxation of foreign exchange controls. Formally, Japan accepted the obligations of GATT Article 11, which concerns the general elimination of quantitative restrictions on trade to be imposed to forestall threats to its monetary reserves by a country in balance of payments difficulties. In April 1964, Japan relinquished the protection

* In the case of pollution and environmental decay, Japanese public opinion has recently become highly aroused after a long period of passivity.

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of IMF Article 8, which required that it remove all restrictions on payments for current transactions and restrictions on the convertibility of yen held by nonresidents. Also in April 1964, Japan expressed, with reservations, adherence to the OECD Code of Liberalisation of Capital Movements and the OECD Code of Liberalisation of Current Invisible Operations.

At the end of 1969, however, in contravention of GATT Article 11, Japan maintained quantitative import restrictions on 118 commodities.* This was the largest number of such restrictions maintained by any advanced industrial nation. By commodity category, the restrictions included 50 industrial and mining commodities and 68 agricultural and fishery products. Among the former, quite a few restrictions were maintained on products in which Japan had already achieved a fairly strong export position, such as electronic desk-calculators, typewriters, and automobile parts. Among the primary products, restrictions were maintained on such items as tomato products, grapefruit, black tea, juices, and macaroni and spaghetti, many of which are products in which the United States has an interest.

Although Japan has formally relinquished balance of payments difficulties as a justification for invoking import restrictions, the unstable history of Japan's balance of payments has predisposed the government towards being protection-minded. In connection with the supply of capital, for example, speculation by foreigners, particularly Americans, in the Japanese stock market is potentially a highly disruptive factor. This induces the government to maintain controls over capital flows despite the liberalization program.

* In terms of the Brussels Tariff Nomenclature, at the four-digit level. In addition, with GATT approval, Japan maintained 43 commodity restrictions for purposes such as national security and sanitation.

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From the point of view of the Ministry of Finance, the activities of foreign banks in Japan, particularly United States banks, are an existing or potential source of instability. As of June 1970, there were 38 branches of 18 foreign banks in Japan. Although at present the loans extended by foreign banks amount to only about one percent of the total loans of the Japanese banking system, there is an increasing tendency for foreign banks to convert foreign currencies into yen for the purpose of making domestic loans. This practice tends to counteract the government's ability to implement a tight-money policy, which heretofore has been its chief weapon in enforcing stabilization. In the future, conversion of foreign currencies into yen may become a vehicle for speculation in the yen, a possible development of concern to the authorities.

In resisting the decontrol of technological imports, the government argues that the establishment of new enterprises based on imported techniques creates excessive competition and that medium and small enterprises are unfairly oppressed. Also, imported techniques may obstruct indigenous technical developments. Furthermore, some imported techniques are unfairly monopolized and thus impair the sound development of important industries. United States suppliers of technology have borne the brunt of these arguments.

Restrictive foreign economic policy, however, has violated the government's own priorities for the liquidation of dualism--that is, the elimination of inefficient small and medium-size firms in favor of large oligopoly firms. In some respects, however, the government's strategy of screening technological imports has in the past actually contributed to the promotion of economic concentration in Japan. This has been achieved by the government's ability to determine which Japanese firm would be permitted to bring in particular items of foreign technology. Furthermore, by specifying the terms according to which imported

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technology could form a contribution to joint venture investments, the Japanese government thereby helped determine the nature and scope of United States investment in Japan. In effect, opposition to liberalization of technological imports has enabled the government to perform a great feat of economizing: it obtained for Japan a maximum technological benefit for a minimum investment.

Foreign investment in Japan by means of technological contributions has been scrutinized by the Japanese government not only with regard to what it considers possible disruption of the present structure of industry, but also with regard to preemption of new industries. At a time when some industries were as yet nonexistent in Japan, the government argued that while there would be no threat of disruption, the entry of foreign investors might prevent the possible future establishment of indigenous firms.

Another argument against unrestricted foreign investment in Japan concerns the vulnerability of Japanese firms because of their weak capital structure. Apart from their level of efficiency, the business power of foreign firms is feared, for example, in terms of their ability to finance installment sales and to pay for advertising. This is one of the principal reasons that entry of United States automobile firms has been resisted.

To some extent, the fear of foreign capital--particularly United States capital--in Japan is similar to reactions expressed by other countries, such as Canada or France. Apart from xenophobia, which is more pronounced in Japan than in some other countries, the Japanese fear that multinational corporations with headquarters abroad may conspire to restrain Japan's exports. This may occur by the assignment of restricted marketing areas to Japan in accordance with multinational marketing strategy. In order to be nondiscriminatory in making rules

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that are designed to cope with multinational corporations, the government takes a restrictive attitude toward other forms of foreign investment in Japan as well.

Yen revaluation is another matter that impinges on the liberalization problem. In the short run the Japanese government is attempting to maintain as many commodity input restrictions as possible while accumulating a substantial export surplus. If the merchandise surplus increases much further, the government will be subject to greatly increased pressure to revalue the yen, particularly from the United States, which bears the brunt of the corresponding deficit. However, the government is strongly disinclined to revalue. As a nation that exists by processing imported raw materials and exporting finished goods, it would seem that Japan would have much to gain from accepting both liberalization and revaluation at the present time. A higher value for the yen would benefit such industries as petroleum refining, paper and pulp, iron and steel, and others that utilize imported raw materials. This would be of particular importance as an offsetting factor to the inflationary tendency of Japanese costs of production. On the other hand, export prices in terms of foreign currencies would tend to rise. The adverse effect of this rise would be felt especially by industries such as textiles and sundry goods, which are already under attack from low-wage producers in developing countries. Automobile exports to the United States would also be somewhat disadvantaged. As a first approximation, it might be inferred that revaluation would contribute to a beneficial shift in the structure of Japanese industry; that is, it would tend to diminish the role of surviving traditional industries and to expand the modern sophisticated industries.

As opposed to revaluation, there are those who argue that at present Japan would benefit most from an expansion of domestic demand.

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Deficits in social and economic infrastructure are in critical need of redress, personal consumption horizons are widening, and industrial subsidies should be reduced or removed; progress in each of these could be accomplished by retaining more of Japan's output at home rather than removing it in the form of export surplus. In order to increase domestic consumption, import liberalization should be accelerated and yen revaluation should be foregone.

From the point of view of the United States, since Japan's exports to the United States are largely competitive manufactured goods, revaluation would tend to shrink Japan's market here. Japan's imports from the United States are essentially complementary primary goods with a low elasticity of demand; consequently revaluation would not tend to greatly increase U.S. exports to Japan. On balance, yen revaluation by itself would not have much of an impact on the U.S. merchandise account. On the other hand, it would make it difficult for U.S. investors to export capital to Japan, which would tend to improve the U.S. capital account. Ironically, with regard to the latter effect, from a Japanese point of view, yen revaluation might thus be considered a partial offset to liberalization.

At present, opinion in Japan seems to favor further liberalization rather than yen revaluation. Similarly, the Ministry of Finance is opposed to both the crawling peg and the wider band approaches to foreign exchange adjustment, which are measures that might provide collateral support to the dollar.

From a United States point of view, complete commodity import liberalization by Japan would perhaps be the most desirable immediate policy. This would permit the United States to extend the list of commodities being exported to Japan to include many more competitive as distinguished from complementary products. The trouble with formal implementation of liberalization policies in Japan, however, is that

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they are often nullified by informal administrative devices on the part of government and business. It might also be noted concerning liberalization of capital flows that, if the barriers were really removed, a very large outflow of capital from the United States might take place. In this event, after demanding that the Japanese liberalize, the United States might then be obliged to introduce countermeasures of its own in order to defend the U.S. balance of payments. This would then constitute a "justification" for further restrictive foreign economic policies on the part of Japan.

II Areas for Cooperation and Competition with Other Major Powers

The interaction of major trends inside Japan with major trends in the world economy will help to determine the course of Japan's cooperation and competition on the international plane during the coming decade. Among the clear trends on the domestic level will be a tapering off of the growth rate, an increase in the degree of economic concentration, and increased attention on the part of the authorities to problems of social welfare. On the international plane, Japan in the future, as in the past, will be motivated by a desire to avoid economic isolation and to avoid confrontation. It will attempt to diversify its sources of supply and its markets for export goods. It will seek to assert its "status" as a member of the group of "leading" nations. At the same time, Japan will attempt to adapt its role to a world in which multipolarity is increasing and in which the United States may be seeking to scale downward some of its political-military commitments.

A. The United States and Western Europe

Japan's relations with the United States were predominantly cooperative following World War II, although even during the Occupation

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there were various instances of passive resistance on its part.* Essentially, however, Japan's cooperative behavior has been predetermined by its dependence on the United States--dependence with regard to finance, technology, import supplies, export markets (see Tables 27 and 28), and military protection. As a result of its progress during the past two decades, this dependence now has a more abrasive impact on Japan, and its basic ambivalence towards United States "domination" has risen closer to the surface.

One of the central objectives of Japan's foreign economic policy is to diversify geographically its foreign trade, which means essentially that it wishes to reduce the degree of its economic dependence on the United States. The complexity of Japan's relations with the United States, however, is revealed by the fact that while actively pursuing this policy, the imperatives of its policy for economic growth have induced the government to make projections regarding future trade with the United States that are distinctly unrealistic. At the very least, they are highly inconsistent with projections made by United States authorities for the 1970s.

In identifying the trends by which the future of Japan's relations with the United States may be projected, it is helpful to trace the profile of outstanding issues between them during recent years. During the early 1960s, as Japan's economic fortunes progressively improved, Japanese leaders began to express a demand for "full and equal partnership" with the United States. At the outset, this simply emphasized Japan's desire to be included in the decision-making process in matters that concerned it. It also constituted a demand for the removal of discriminatory restrictions against Japanese trade. By 1969, however,

* Resistance to zaibatsu dissolution is one example.

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Table 27

JAPAN'S FOREIGN TRADE, BY REGION AND BY YEAR, 1959 TO 1968
(millions of dollars)

Calendar Year	Asia		Europe	North America		South America	Africa	Oceania	
	Total	SE Asia		Total	U.S.				
<u>Exports from Japan (FOB)</u>									
1959	3,456	1,456	988	394	1,262	1,047	142	410	102
1960	4,055	1,458	1,307	538	1,345	1,102	180	352	182
1961	4,236	1,581	1,384	607	1,286	1,067	233	382	137
1962	4,916	1,674	1,465	845	1,656	1,400	224	335	180
1963	5,452	1,868	1,608	892	1,795	1,507	198	475	223
1964	6,673	2,180	1,782	1,080	2,267	1,842	212	608	323
1965	8,452	2,747	2,195	1,297	2,933	2,479	248	818	404
1966	9,776	3,288	2,630	1,575	3,503	2,969	279	729	399
1967	10,442	3,555	2,931	1,664	3,618	3,012	279	850	472
1968	12,972	4,415	3,613	1,896	4,831	4,086	343	940	542
<u>Imports into Japan (CIF)</u>									
1959	3,599	1,142	759	392	1,490	1,116	108	128	339
1960	4,491	1,367	915	488	1,923	1,554	143	164	404
1961	5,810	1,522	975	725	2,586	2,096	257	190	530
1962	5,637	1,614	967	767	2,315	1,809	226	218	493
1963	6,736	2,064	1,211	851	2,682	2,077	279	266	596
1964	7,938	2,400	1,293	1,069	3,051	2,336	356	380	681
1965	8,169	2,731	1,406	1,002	3,040	2,366	391	353	652
1966	9,523	3,165	1,613	1,216	3,444	2,658	446	420	832
1967	11,663	3,582	1,795	1,766	4,172	3,212	529	661	951
1968	12,987	4,004	1,984	1,878	4,539	3,527	610	839	1,115

SOURCE: Ministry of Finance.

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it was the United States that was affirming the principle of "full and equal partnership." In acknowledging Japan's arrival at major-nation status, the United States began to demand that Japan assume the responsibilities and burdens appropriate to that status, especially in the fields of economic liberalization, military security, and foreign aid.

In the early part of the 1960s, difficulties between Japan and the United States on the international economic plane concerned primarily the following: the American Selling Price (ASP) method of evaluating U.S. imports for tariff purposes, the Anti-Dumping Act, tariff quotas, the Tariff Simplification Act, exclusionary policies such as Buy American, Ship American, and Fly American, the Cotton Textile Agreement, and "voluntary" export controls.*

At a conference held in Geneva in October 1969, the United States cited 17 nontariff barriers and Japan 21. Some of these barriers covered many individual items to commodity trade and are a continuing source of irritation and conflict. In quantitative terms it has been estimated by the Japanese Ministry of International Trade and Industry that Japanese barriers cost the United States \$315 million, whereas United States barriers cost Japan \$433 million annually in trade losses.

Formally, by accepting the obligations of IMF Article VIII, GATT Article XI, and the OECD Code of Liberalisation of Capital Movements, Japan is committed to the removal of restrictions on the inflow and outflow of goods and of capital. From a Japanese point of view, liberalization is on the one hand a means of extending economic cooperation, while on the other it is a means of demonstrating her status as a "major

* Collateral issues included incidents at U.S. military bases in Japan, the reversion of Okinawa, U.S. pressure on Japan to rearm, visits of nuclear submarines without prior consultation, the fact that Japan Air Lines was not allowed to fly to New York, the Bartlett Act (concerning fishing rights), and demands that Japan not extend long-term credit to communist countries.

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industrial nation." In addition to these external aspects of liberalization, domestically it is regarded as a means of accelerating the concentration and modernization of Japanese industry. In the top policy-making echelons of Japan's economic bureaucracy, liberalization has been deliberately utilized as a means of forcing improvements in industrial efficiency. Interaction between the external and domestic sectors has consequently been constructively dynamic in the context of liberalization. In their policy decisions, however, the authorities are far more cautious than their confident public statements would suggest. (Caution may be seen in documents and speeches designed for internal as distinguished from external consumption.) This makes it difficult to forecast the rate at which liberalization--in commodity trade and in capital movements--will be implemented. A typical strategy, for example, is that of deactivating rather than removing or abolishing trade and capital restrictions. For example, after accepting the obligations of the OECD Code of Liberalisation, the two basic laws governing the foreign exchange control system--the Foreign Exchange and Foreign Trade Control Law and the Law Concerning Foreign Investment--were not repealed but were merely amended in an appropriate manner. These laws, therefore, remain on the books as standby machinery that could readily be reactivated by repealing the liberalizing amendments. Similarly, the import prior deposit system has been reduced to a purely nominal role by being invoked merely at the one percent level; however, it too remains effective on a standby basis.

In case of an emergency, these various standby facilities could be reactivated on short notice. Moreover, Japan's economic bureaucracy is highly experienced in devising countermeasures that either avoid or evade the ostensible implications of liberalization. It can be confidently predicted that prompt and drastic action would be taken in the event that Japan fell into serious balance of payments difficulties.

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The real problem, therefore, is to project the probability that Japan will fall into such difficulties.

It should also be noted that projection of Japan's cooperation in the form of further economic liberalization is difficult because the "easy" steps along that path have already been taken. In July 1969 the Japanese government announced that of the 120 import commodities (at the four-digit level of the Brussels Tariff Nomenclature) subject to residual restrictions at that time, less than 50 percent will remain on the restricted list by the end of 1971. The hard core items are particularly difficult to liberalize because many of them are agricultural items that are important to the rural constituents of the Liberal Democratic Party. The government is also reluctant to liberalize imports that would conflict with its program of reducing rice acreage in favor of orchards and dairy farming. The government has also announced that capital liberalization will be substantially completed by March 1972.

This is not the place to discuss Japan's commodity and capital liberalization program in detail. However, it can be asserted that there are various pressures on Japan that will gradually force it to liberalize to a substantial degree; by 1980 it may be anticipated that the degree of liberalization in Japan will be commensurate with that trend prevailing in other major industrial countries. In the first place, the rationalization, modernization, and consolidation of Japanese industry that is now taking place will make Japan less reluctant to accept the competition of foreign "giants" that seek to enter the domestic arena. Second, the expansion of Japanese exports, which will continue for at least a few years (although not necessarily at the rate of 15 percent annually between now and 1980 as expected by the Ministry of International Trade and Industry), will expose Japan to demands for a quid pro quo in the form of greater liberalization. Third, as Japan acquires an increasing stock of foreign exchange reserves, it will be inclined to accept a greater degree of

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liberalization in lieu of revaluing the yen, which it is already under pressure to do.

There are various collateral issues outstanding now between the United States and Japan that may remain as active or potential areas of conflict during the coming decade. One of these is the United States demand that Japan enforce "voluntary" restrictions on its exports of synthetic and woolen textiles. Already this demand (which is far more controversial than the simultaneous demand that Japan liberalize capital imports in the automobile industry) has been escalated from the economic to the political level. Since Japan's textile industry is under simultaneous attack from the declining textile industry of the United States and the ascending textile industries of Southeast Asian countries, this problem is not likely to be settled neatly in the foreseeable future. The arena for discussion of this problem will eventually be moved to Geneva in September 1970, at which date the Long-Term International Cotton Agreement will expire. Japan is opposed to renewal of the agreement in a highly restrictive form (the agreement itself already being an exception to GATT), whereas the United States is anxious for its renewal with expanded coverage.

Another area of controversy between Japan and the United States concerns the exchange of airline routes between the two countries. In October 1969, approval was granted by the United States for Japan's use of the Great Circle route from Tokyo to New York via Anchorage and also a Tokyo-Saipan-Guam route. However, access to Chicago via the Great Circle route was denied. Japan is deeply concerned about having this decision reversed in future negotiations.

A further pending issue concerns the valuation to be placed on United States assets that prospectively will be acquired by Japan in Okinawa.

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In connection with Japan's request for an increase in its IMF quota, on the other hand, it is likely that the United States will cooperate by selling Japan \$100 million of gold, which Japan would be obliged to deposit with the IMF in conjunction with its proposed quota increase (expected to become effective during 1970) from \$725 million to \$1,225 million.

As in the recent past, the major economic issues that prospectively will provide occasions for conflict rather than cooperation between the United States and Japan during the 1970s include the problems of liberalization and Japan's responsibilities as a donor of foreign aid. The latter topic will be discussed below in the context of Japan's relations with Southeast Asia. Concerning the former, however, it is not clear that a high degree of liberalization by Japan will necessarily help the United States balance of payments. This depends on many factors that cannot be discussed here.*

Thus the demands now being made by the United States on Japan reflect its advance from tutelary status to "equal partnership." While the extent of future cooperation between the two partners will undoubtedly be considerable, it can also be anticipated that areas of competition, if not conflict, will expand.

The United States and Japan will increasingly compete in third markets as well as in each other's domestic markets. In particular, as the commercial barriers between East and West are dismantled, it is clear

*Of increasing importance, for example, is the role of the multinational or world corporation whose headquarters may be located in the United States but whose operations may be designed to produce profits elsewhere. By building up their affiliates abroad, these corporations may actually reduce the level of United States exports as well. In other circumstances, their activities may be adverse to Japan's balance of payments.

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that Japan will have a major stake in expanding its communist trade at the expense of the United States.

In contrast with the cooperative relations that prevailed between Japan and the United States following World War II, Japan's relations with Western Europe were competitive from the outset and marked by conspicuously restrictive arrangements on both sides. Western Europe has not figured prominently in Japan's total trade--during recent years, the proportion has amounted to about 12 percent of Japan's total trade. The long distance between Japan and Europe is one reason for the comparatively low level of trade. In terms of commodities, a prominent feature of the trade is Japan's exports of ships to Western Europe (and not merely cameras, transistor radios, and crab meat) in return for imports of machinery by Japan. In the future, the development of containerization and the use of the Trans-Siberian railroad may facilitate contacts between the two regions. On the other hand, Japan's leadership in the production of ships is being challenged by aggressive modernization of West European and Russian shipbuilding facilities, especially in the field of special purpose ships, such as nuclear ships, container ships and liquid methane gas carriers, as well as super-tankers. In the decade of the 1970s, MITI estimates that Japan's trade with Western Europe will grow somewhat more slowly than the projected annual rate of increase of 10 to 12 percent (in real terms) in her overall trade.

In response to pressures on Japan to reduce its exports to the United States, it has recently been making special efforts to improve the outlook for future trade with Western Europe. However, a considerable number of discriminatory restrictions are still practiced against Japan by various European countries. At the end of 1969, the number of such

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restrictions (which are in violation of GATT and IMF agreements) still remaining in effect will be as follows:*

Benelux	28 items
France	25 items
Italy	45 items
West Germany	21 items

The case of Italy is particularly troublesome to Japan, inasmuch as Italy's discrimination includes such items as passenger cars, bearings, bicycles, and sewing machines. In the case of England, discriminatory restrictions principally take the form of "voluntary" quotas enforced by England on Japan's exports of non-cotton textiles. On the other hand, Japan enforces residual import restrictions on imports of the 118 commodities mentioned above, besides which it imposes a tariff of over 100 percent on imports of Scotch whiskey.

In the future, it is anticipated that these matters will be discussed in a new forum, namely the Common Market Commission, to which will be delegated the authority to bargain with Japan in behalf of EEC as a whole. It is certainly desirable that common procedures be established by the Six with regard to removal of discrimination and for negotiations concerning Japanese residual import restrictions, barriers implicit in Japanese administrative procedures, tariff quotas, and the like. The desirability of common procedures will be enhanced in the event that England, Denmark, Norway, and Ireland join the Common Market, as they well may do during the 1970s. However, the trade-creating effects of a joint trade agreement between Japan and EEC would be more than offset by the trade-diverting effects of England's accession to the Common Market, for the privileged access that England and the other members of EEC would

* Tokyo Shimbun, 28 September 1969.

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have to each other's markets would be a serious blow to Japan's competitive position in Western Europe.

B. Southeast Asia

Prospects for a considerable expansion of Japan's trade with Southeast Asia during the next decade do not seem particularly bright. The region's growth has been disappointing and will probably not improve very much during the 1970s.* Increasing contention between communist and noncommunist forces is likely to increase the political instability of the region, which would act as a further discouragement to trade. As can be seen in Table VI, Japan's trade balance with the region has been consistently favorable, which has been made possible partly by American aid expenditures in Southeast Asia and partly by Japanese economic cooperation. An increase in the level of trade during the 1970s depends heavily upon Japan's willingness to buy more from Southeast Asia or to extend a greater volume of aid. Japan has little enthusiasm for doing either, although by following the "one percent formula," her foreign aid may reach the level of \$5 billion annually if her GNP reaches the targeted level of \$500 billion by 1980.†

At both the first and second UNCTAD conferences, Japan was rather passive in acknowledging the needs of the developing countries.

* At the annual ECAFE meeting in April 1969, it was observed that the income of countries in East and Southeast Asia will decline as the Vietnam war comes to a close. During the current "Development Decade," growth in the ECAFE region is averaging 4.6 percent annually rather than the 5 percent that was its target. During the decade of the 1970s, attainment of an average rate of 6 or 7 percent was considered "feasible."

† During 1968, Japan's foreign aid mounted to \$1,049 million, which was 0.94 percent of her national income.

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Concerning trade, moreover, MITI is inclined to think that inasmuch as it took Japan twenty years to correct the imbalance in her merchandise trade with the United States, the problem of Southeast Asia's imbalance with Japan should be resolved gradually over a similar period. One means of accomplishing this would be by transferring industries that are in a declining state in Japan to new soil in Southeast Asia. The textile industry is a case in point, the transfer being accomplished by means of the export of Japanese capital; thus textile products being shipped from Southeast Asia to Japan are partly a product of Japanese enterprise in the region.

The role of private as contrasted with official development assistance is indeed one of the main elements of Japan's program for economic cooperation with Southeast Asia. The 1969 Economic White Paper on international trade emphasizes the need for Japan to promote the "develop-and-import" formula, by which capital and technology are transferred to less developed countries with the purpose of producing outputs that can be imported by Japan. This multi-purpose approach not only improves the statistical record of Japan's economic cooperation and diversifies the sources of Japan's import supplies, but also counters the advance of European and American capital into Southeast Asia. Based on the cheap labor supply of Southeast Asia, moreover, the foreign-based subsidiaries of Japanese enterprises aspire to reach export markets in third countries as well as in Japan.

These activities have caused a good deal of alarm in some countries of Southeast Asia, which resist what they refer to as "economic colonialism" on the part of Japan. The Philippines, for example, which is one of Japan's leading trade partners, has not yet ratified the Japan-Philippine Treaty of Commerce and Navigation, which has been pending for some years. As Japan's capital investments in Southeast Asia increase

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during the 1970s, latent fears and resentments against Japan may be inflamed as she attempts to assert a leadership role.

The "North-South" problem includes another issue, namely the granting of special LDC tariff preferences by advanced industrial nations. These would apply to the industrial goods being newly produced by developing countries. Japan, however, is reluctant to expose its small and medium size industries to the competition of privileged imports.

Among the various recipients of Japan's economic cooperation, Indonesia ranks first and South Vietnam will prospectively rank second at the termination of hostilities.[†] In this context, of course, Japan will itself be the beneficiary of United States aid by means of offshore procurement contracts arranged either directly or indirectly for the rehabilitation of South Vietnam.

Qualitatively, the nature of Japan's economic aid will undoubtedly improve during the 1970s. The trend of improvement can be seen by a retrospective view of its postwar performance. At the outset, Japan's foreign assistance consisted almost exclusively of reparations (the term "economic cooperation" was introduced because it would have been inappropriate to characterize reparations as "economic aid"). In its second phase, economic cooperation included a large component of supplier's credit, which simply enabled would-be purchasers of Japanese heavy and chemical goods to acquire them by means of loans. The third phase, upon which Japan is now embarked, will include a larger component of softer

* The United States is likewise reluctant to implement the special tariff preferences, although at the insistence of Latin American countries it appears that some progress along these lines may be forthcoming.

[†] Nihon Keizai, 18 May 1969.

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loans and untied aid.^{*} Prior to the time that Japan decides to discharge its responsibilities for assuming an equitable proportion of the burden of military defense, it will be subject to increasing pressure to expand the scope of its economic aid program.

C. Pacific Basin Economic Cooperation

The progressive multipolarization of the world economy presents an opportunity to Japan to exercise leadership in East and Southeast Asia, but it also presents a threat. In terms of external economic trends having an impact on Japan, the threat can be seen clearly in the form of regional trading blocs, such as ELC, Latin America Free Trade Area (LAFTA) and the like, which have taken root and multiplied in the postwar period. Neo-mercantilism in the world economy, difficulties in the international financial system, and the problems of less developed countries make it likely that regional blocs will assume increasing importance during the coming decade. As mentioned above, the possibility that England as well as other countries will join the EEC gives added substance to this prospect. Inasmuch as Japan is not a member of any customs union or even free trade area, the prospective increase in the trade-diverting effects of such groups presents a threat to its trade position during the coming decade.

In order to avoid being isolated by the growing tendency towards trade regionalization, Japan has been attempting to organize a Pacific group of its own. The agreement to form an organization known as the Pacific Basin Economic Cooperation Committee (PBECC), including the

* In 1969, because of the uneconomic stimulation of its agricultural price support program, Japan was transformed from a major rice importer into an exporter of rice. Japan plans to export rice to Indonesia as part of its aid program to that country.

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United States, Canada, Australia, New Zealand, and Japan, was arrived at in April 1967. It was officially inaugurated in May 1968. In order to avoid the appearance of being a "rich man's club," there has been some discussion of membership being extended to other interested countries, such as Brazil, Ceylon, Indonesia, South Korea, Malaysia, Mexico, Hong-kong, and Singapore. Thus problems of economic development have been added to its agenda. Basically, however, the PBECC is designed to increase trade among its five original members.

As it stands, the organization is entirely on a private basis and has no official authorization. The possibility that it will acquire official status within the coming decade is exceedingly remote. One problem concerns the fact that Australia and New Zealand are deeply apprehensive about protecting their industries against Japanese competition, whereas Japan in turn has a highly protectionist agricultural policy. Also the United States will not make any important commitment to a Pacific Basin group in the foreseeable future.

Thus the program for a Pacific Basin organization is not likely to yield any important breakthrough for Japan during the coming decade. However, informal contacts between the businessmen of Japan and its associates in the PBECC may possibly result in progress towards the important but unpublicized Japanese goal of agreed specialization in the field of industrial output. As a beginning, this might be arranged with regard to a few commodity classes. In any event, the PBECC is another example of Japan's reliance on "private economic diplomacy" as distinguished from government diplomacy where the latter is inappropriate for the accomplishment of her objectives.

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D. Communist Countries (Table 29)

Japan is predisposed to make a quantum jump in its trade relations with communist countries not only because of the intrinsic merits of such trade from its point of view but also because of the prospective limits on the growth of its trade with other regions during the coming decade. The possibility of organizing a customs union, free trade area, or other form of integrated trading region among the Pacific Basin countries during the decade is distinctly dim. Expansion of trade in Southeast Asia depends primarily upon the willingness of Japan to finance that trade by supplying the credit as well as the merchandise. At the same time, nationalism, resistance to Japanese "economic colonialism," and economic and political instability in Southeast Asia constitute constraints on the expansion of Japan's investments there. Among the advanced Western countries, neo-mercantilism, regionalization of trade, the proliferation of nontariff barriers, resistance to further loss of market shares, and an increasing degree of preoccupation with trade affairs in the United States contribute powerfully to the prospective "containment" of Japanese trade expansion during the coming decade. It will become progressively more difficult for Japan to maintain the pace of its recent advance without opening up a major new area for trade expansion. Moreover, by taking initiatives in trade with communist countries, she will also be able to fulfill her increasing desire to exercise world "leadership."

In the case of China, there are some difficulties in the way of trade expansion. These include the fact that Japan has signed a Republic of China Peace Treaty and has diplomatic representation in

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Table 29

JAPAN'S TRADE WITH SPECIFIED COMMUNIST COUNTRIES
BY YEAR, 1964 TO 1968
(thousands of dollars)

Country of Origin or Destination	Calendar Year				
	1964	1965	1966	1967	1968
<u>Imports into Japan (CIF)</u>					
Total	444,381	527,076	687,945	868,283	837,358
USSR	226,729	240,200	300,361	453,918	463,512
Rumania	11,857	19,037	19,775	32,029	n.a.
Bulgaria	5,779	6,993	13,558	15,072	n.a.
Czechoslovakia	6,005	7,051	6,920	17,979	n.a.
Poland	2,080	1,945	4,120	26,263	n.a.
East Germany	3,272	1,191	3,553	15,268	n.a.
Hungary	637	432	681	1,355	n.a.
Albania	5	2	18	10	n.a.
China	157,750	224,707	306,237	269,439	224,185
North Korea	20,231	14,723	22,692	29,606	n.a.
North Vietnam	9,842	11,456	9,650	6,695	n.a.
Mongolia	194	239	381	659	n.a.
<u>Exports from Japan (FOB)</u>					
Total	385,843	477,669	599,183	525,213	581,757
USSR	181,811	168,359	214,022	157,688	179,018
Rumania	19,156	15,241	21,937	27,325	n.a.
Bulgaria	7,500	10,883	24,547	24,509	n.a.
Czechoslovakia	2,832	8,677	4,297	6,286	n.a.
Poland	2,467	5,401	2,983	5,918	n.a.
East Germany	94	1,148	2,331	3,055	n.a.
Hungary	4,004	2,256	2,808	3,565	n.a.
Albania	51	92	54	124	n.a.
China	152,739	245,038	315,150	288,294	325,439
North Korea	11,284	16,505	5,016	6,370	n.a.
North Vietnam	3,371	3,853	5,649	1,816	n.a.
Mongolia	534	216	189	263	n.a.

SOURCE: Ministry of Finance.

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Taiwan but not in the PRC.* Japan is a party to a Security Treaty with the United States which is directed at the PRC as much as at any other country, in accordance with which Japan provides military bases to the United States in Okinawa and elsewhere. Japan also maintains COCOM (Coordinating Committee for Export Control on Trade with Communist Nations)† restrictions and has never disavowed the so-called "Yoshida letter"‡ restrictions on trade with the PRC. Nevertheless, with customary pragmatism, Japan continues to maintain communications and trade with the PRC on the basis of the principle of the "separation of economics from politics." The PRC, on the other hand, insists on the opposite principle of the "inseparableness of economics from politics." The fact that the PRC has been willing to engage in any trade whatsoever with Japan in this situation--swallowing its principles as well as what it regards as provocations and humiliation--reveals that the PRC needs Japan and would undoubtedly greatly expand the scope of trade under more congenial political circumstances.

* Japan likewise has signed no treaty of peace with the USSR, but has, however, signed a treaty of commerce and navigation (1957) that provides a legal basis for trade. Japan also maintains diplomatic relations with the USSR.

† COCOM comprises 14 NATO countries (all except Iceland) plus Japan. Its list of items subject to export restrictions in trade with communist countries is sometimes referred to as the "Paris list" because of the location of COCOM headquarters in Paris.

‡ The "Yoshida letter," which has never been published, was delivered by former Prime Minister Shigeru Yoshida to the Nationalist government in May 1964. It is regarded as a commitment by Japan to withhold the facilities of the Japan Export-Import Bank from the deferred payment financing of plant and equipment exports to the PRC.

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To some extent, more congenial circumstances are now being created. In the first place, restrictions on exports to the PRC are being gradually relaxed.* Effective 1 November 1969, the Japanese government "eased restrictions" on 79 out of the approximately 150 items on the COCOM list.† At the same time, however, it strengthened restrictions on 23 items on the list.‡ In July 1969, the Tokyo District Court ruled that no legal basis exists for the enforcement of COCOM export restrictions, to which Japan does not adhere by treaty. If not for fear of retaliation by the United States, Japan would move much more quickly than heretofore in the direction of abandoning the remaining restrictions.

The Yoshida letter is likewise being gradually shunted aside as an instrument of Japanese commercial policy. While not repudiating the letter outright, the Sato government has declared that its policy is to regulate trade with the PRC on a "case by case" basis.§

Future prospects for trade between Japan and the PRC can be gauged to some extent by evaluating the vicissitudes in the relative status of the two channels by means of which the trade is conducted. The first of these, and the one that currently is favored by the PRC, is trade by means of Japanese firms that Peking has designated as "friendly." "Friendly firm" trade, sponsored by the Japan International Trade Promotion Association, was inaugurated in 1960 in accordance with

* CHINCOM (China Committee) restrictions on exports to the PRC, which were more stringent than those of COCOM, were abolished in 1958 when England withdrew from the arrangement.

† Japan Economic Journal, 14 October 1969.

‡ From considerations arising out of the Vietnam war, the United States has proposed that a separate list be prepared for restrictions on exports to the PRC as distinguished from other communist countries. At the insistence of Japan, this proposal has been temporarily shelved.

§ Yomiuri, 9 April 1968.

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the "Three Principles of Trade with Japan" enunciated by Chou En-lai. The second channel is now known as "Memorandum" trade, being conducted under the Japan-China Memorandum Trade Agreement, inaugurated in 1967 on a year-to-year basis. The latter agreement is successor to the Liao-Takasaki five-year agreement of 1962 (otherwise known as the Japan-China Overall Trade Agreement). Thus Liao-Takasaki trade, which was designed as a vehicle for large-scale, long-term transactions, has withered from a five-year to a year-to-year arrangement, whereas "friendly" trade, which is conducted chiefly by small firms or by dummy firms created for PRC trade by large trading companies, has come to assume the leading role. This might suggest that the PRC is "displeased" and that the future of Japan's PRC exports is bleak. Indeed, the PRC has been very displeased with the Sato government during recent years. To some extent, however, the PRC's severe attitude towards Japan in negotiating renewal of the year-to-year Memorandum agreement was a mask for the fact that its capacity to import had been impaired during the Great Cultural Revolution. Since the middle of 1969, the PRC's foreign trade started to recover from the effects of the Cultural Revolution. Japan's exports to the PRC have been increasing during recent years and probably will reach a postwar high in 1969. Moreover, Japan's trade balance with the PRC has been favorable since 1965 (Table 29). However, in April 1970, the PRC put an embargo on all trade with Japanese companies that gave technical assistance to, or invested in, Taiwan or the ROK, supplied arms to Indochina, or were affiliated with American companies. This may cut down the trade volume somewhat.*

In 1968, about 80 percent of Japan's exports to the PRC consisted of iron and steel goods and chemical fertilizer. Less than 10

* Kansas City Star, 18 September 1970, p. 29.

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percent consisted of machinery. The fact that machinery exports are so low reflects the effect of COCOM export restrictions and the financing restrictions prescribed in the Yoshida letter. Japan is very anxious to diversify its trade with the PRC and to expand its volume. Therefore, it is very anxious to remove the policy barriers to doing so, and it can be reasonably expected that within the coming decade they will be removed.* Among others, Keidanren (Federation of Economic Organizations) is strongly in favor of such action, which greatly supports the presumption that it will occur.

Aside from the major policy problems, there are also procedural and technical difficulties in the way of Japan-PRC trade expansion. One of these is the matter of selecting appropriate currencies for the settlement of trade balances. Another is the determination of safeguards against the entry of hoof and mouth disease into Japan by means of imports of meat from the PRC. There is also, of course, the strategic question of whether by means of the "separation of economics from politics" Japan can safely augment her trade with the PRC without jeopardizing her possibilities for expansion of trade with the USSR, to say nothing of Taiwan.

Whether or not expanded trade with the PRC can be coordinated with expanded trade with the USSR, potential expansion of the latter is by far Japan's greatest prospect for advance during the coming decade. Indeed, the greater the hostility between the USSR and the PRC, the greater the likelihood that development of Siberia will be accelerated and thus the greater the opportunity for Japan's participation.

* With regard to iron and steel, during recent years the PRC has been Japan's second leading customer, following the United States. Exports of chemical fertilizer to the PRC amounts approximately to one third of Japan's total output. On the import side, salt, soy beans, buckwheat, iron ore, pig iron, fish, and coal are leading items.

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The fundamental basis for such participation, of course, lies in the economic complementarity between Japan's industry and Siberia's natural resources. Until 1969, however, the terms on which Japan's participation in Siberian development was being invited did not seem very practicable. The USSR has demanded large, long-term loans from Japan at low rates of interest. Japan's ability to export capital, on the other hand, has heretofore been conspicuously limited. But in 1968 Japan achieved a balance of payments surplus of \$1.1 billion and has strong prospects of achieving further surpluses in the near-term future. In this new environment of balance of payments surplus, Japan is very likely to make substantial commitments with regard to large-scale development projects in Siberia, for on a purely logistic basis these projects are among the most attractive in the world from Japan's point of view.* Japan's incentives in favor of such commitments include more than mere logistics, moreover, for as a result of its balance of payments surpluses it is being subject, as mentioned above, to increasing pressure to expand the scope of its foreign aid projects and military defense capability, as well as increasing pressure to revalue the yen upwards. Among these alternatives, Japan would much rather bring its balance of payments into line through capital exports and military defense expenditures than to do so by expanding foreign aid or revaluing the yen.

Besides the logistic and the balance of payments reasons for expecting Japan to make a major advance in trade with the USSR, there is another compelling reason that has already been alluded to above. The commodity composition of Japan's expanded exports to the USSR would chiefly include heavy industry products, including vessels, industrial

* For reasons discussed above, Japan's balance of payments in the near-term future may be much more in surplus than during the latter years of the 1970s.

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plant, machinery, and steel products, as well as chemical equipment, chemical products and consumer goods such as textiles. These essentially are the products of industries already well established in Japan, and in which excess capacity will be potentially great during the coming decade. As indicated above, Japan has a much smaller comparative advantage in the more sophisticated products of industries in which its R and D investment compared unfavorably with that of the West. Consequently, in the 1970s Japan may attempt to become a specialist in the export of cheap heavy industry and chemical goods, which in effect will become the "textiles" of that decade. In the meantime it could be slowly building up its R and D activities in space, oceanography, large-scale computers and large-scale machine tools, in which at present it is at a strong comparative disadvantage in relation to the West. It is already under extreme pressure to overcome the deficiencies of its economic and social infrastructure, and the opportunity of delaying the transformation of her industrial structure to a more sophisticated level would clearly have great appeal.

With regard to Japan's backwardness in expenditures, personnel, and laboratory equipment in the field of basic scientific research, there also exists an additional important area of potential collaboration with the USSR inasmuch as the latter has evidently emphasized basic research activities at the expense of applied research. Within the coming decade, this complementarity provides the basis for a high degree of military as well as commercial and industrial collaboration between Japan and the USSR. In the event that such collaboration should materialize, it would constitute a factor further predisposing Japan towards concentration on relations with the USSR rather than relations with the PRC within the communist orbit.

Japan's preference for a major surge in trade with the USSR rather than the PRC during the coming decade (although not necessarily

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thereafter) may be inferred also on other grounds. One of these is the fact that the USSR has a higher per capita level of GNP than the PRC, which increases the possibilities for reciprocal trade with Japan. Second, the degree of political stability in the USSR probably exceeds that in the PRC, which carries corresponding implications for their external relations with Japan. In particular, even though the Great Cultural Revolution may have been terminated in the PRC, the latter still maintains the principle of the "inseparability of economics from politics." Accordingly, at any time, there may occur an episode similar to the Nagasaki flag incident of 1958, in which the PRC chose to suspend trade with Japan for purely political reasons. In this respect, the USSR has a better record than the PRC with regard to the performance of commercial agreements. Trade with the USSR is also facilitated by the fact that, having normal diplomatic relations with Japan, the USSR is eligible for long-term financing through the facilities of the Japan Export-Import Bank. Trade with the USSR is less likely, moreover, to be complicated by potential demands for reparations (there being no peace treaty as yet with either the USSR or the PRC). This is special importance in view of the possibility that expanded trade between Japan and her communist neighbors will be associated directly with Japan's investment and development activities, which might be expropriated in the event of a reparations dispute.

It should also be noted that in the event of an East-West detente that favored the USSR rather than the PRC, Japan could make a major advance in trade with the USSR without antagonizing the United States, which might not be possible with regard to the PRC.

On the purely administrative level, moreover, as suggested above, since trade between Japan and the communist countries would be administered trade, it would be highly congenial to the bureaucrats of MITI, who at present are looking for ways to replace the authority they

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are losing through the liberalization program. Indeed, the prospect of greatly expanded trade with the communist countries would give Japan a much desired strategy and excuse for slowing down the liberalization program as such.

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Appendix J

JAPANESE TECHNOLOGICAL DEVELOPMENT BETWEEN 1970 AND 1980

I Introduction

The task of forecasting technological change outside of the United States is simplified by the fact that research and development, the major inputs to technological development, are primarily U.S. activities: the U.S. GNP is about one-half of the world's total, and no other nation devotes so large a portion of her GNP (about 3 percent) to research and development as the United States does. On the whole, therefore, and with significant exceptions, the world's technological development follows that in the United States, and the task of forecasting technological development in, say, Italy, is largely the task of estimating the extent to which Italy will catch up with U.S. technology. The latter has been forecast often and in great detail.

But the Japanese economy has been growing at more than 10 percent per year for nearly two decades, and the intention of Japanese government and industry is to maintain that growth rate. Japan's expenditures for research and development now amount to about 1.5 percent of its GNP, and its purpose is to match the present ratio in the United States within the decade. The American economy expands at about 4.5 percent per year. There are a variety of reasons for suspecting that, over most of the next decade, American expenditures for research and development will remain at about 3.0 percent of GNP. Is the level of technological effort in Japan likely to draw abreast of that in the United States within the next decade?

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Japan's GNP is now about one sixth that of the United States. If the two continue to grow at projected rates, and if Japan raises its investment in research and development to 3 percent of its GNP, then in 1980 the U.S. investment in research and development will be at a rate only 3-1/2 times that in Japan. But professional salaries in Japan are less than one third those in the United States. It is therefore conceivable that the level of research and development effort, in terms of professional man-hours expended, in Japan will approach that in the United States by 1980.

If so, then the assumption of U.S. predominance in research and development that is at the basis of current forecasting of technological development elsewhere will no longer hold true. The key question, therefore, is whether the projected growth in Japanese technological effort can be maintained.

In the past hundred years or so, Japan has moved from a technological status equivalent to that of 13th Century to that of 20th Century Europe. That Japan has accomplished this not by abstract reasoning but by pragmatic emulation is anything but surprising. The fact says nothing about the inherent limitations but only about the inherent practicality of the Japanese mind.

The forecasts in this analysis are therefore not based on any assumed inherent, internal limitations of "the Japanese mind." In fact, external factors are quite enough to limit the rate of scientific and technological development in Japan.

On the other hand, Japanese cultural values will largely determine the minimum rate and the direction of Japanese technological efforts. The ensuing sections of this report contain some discussion of the influence of Japanese values on the direction that its technological effort will take.

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The energy that the Japanese people can and probably will continue to devote to technological development is measured by an enduring psychological characteristic of theirs. It is not merely chauvinism, xenophobia, fatalism, or suicidal mania, although it has often been understood as one or more of these in the West. It consists rather of a capability for whole-hearted pursuit of a corporate goal once agreed on, without regard for personal consequences, coupled with an equally whole-hearted acceptance of defeat, should that ensue.

To some extent at least this characteristic is the consequence of Japanese feudalism, which remains the primary structuring element in Japanese society. In feudalism, the individual's raison d'etre comes from his membership and status in society, and his life has no meaning apart from that. In spite of the increasingly technological orientation of Japanese society in the past hundred years, it remains essentially feudal, and its values are essentially feudal. Combining these two elements has produced in Japan a society that is essentially a feudal technocracy.

For this reason, one can predict confidently that, although the direction of Japan's technological effort may be changed by shifting economic and social conditions and concerns, it will continue to expand at a rate measured by its national purposes. On the other hand, should Japan discover that it cannot achieve its goal of becoming economically the most powerful nation on earth, it will accept No. 2 status, as it did defeat in World War II. But failure to achieve preeminence, should it occur, will not be for lack of trying.

II Japanese Technology Today

Japan's is a highly centralized and managed economy, both because it is dominated by a half-dozen former zaibatsu-like agglomerates and

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because there is close cooperation in policy and management between government and industry. One result has been a strict limiting of foreign participation in the management of Japanese industry.

Since the end of the Occupation, Japan's policy in this regard has been under two conflicting stresses: the desire of Japanese industry for protection, and the demand of the United States and other customers for "liberalization" of Japan's policy in return for opening of foreign markets to Japanese produce and capital. Under these stresses, Japan has tended to "liberalize" those industries that can withstand competition or that are viewed as least important to its military and industrial security.

Table 30 is excerpted from the liberalization schedule. It constitutes a sensitive indicator of the technologies in which Japan feels superior to, competitive with, and inferior to, foreign, i.e., U.S., technology.

On the basis of Table 30 and other considerations, one may conclude that Japanese technology excels in:

- Iron and steel
- Concrete
- Nonelectrical machinery
- Shipbuilding
- Ceramics
- Chemicals, especially polyvinyls
- Food processing
- Optics
- Textiles

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Table 30

ITEMS IN THE LIBERALIZATION SCHEDULE

Step and Date	30 Percent Foreign Participation Allowed	100 Percent Foreign Participation Allowed
Step I July 1967	Titanium smelting Spinning machines Boilers	Ordinary steel Forged steel Galvanized sheet
Step II March 1969	Steam engines Generators and motors Elevators Plywood and veneer Paper pulp Sheet glass Plastic extrusions Polyvinyl chloride Agricultural chemicals Paints Cleaners and polishes Synthetic fibers Pharmaceuticals Prepared meat products Automobile tires Dry and wet batteries Broadcasting equipment Medical instruments (including electronic and radiological)	Tin plate Steel pipes Cotton and staple fiber spinning Shipbuilding Brewing Motorcycles Watches Pianos Organs Electric household appliances Tape recorders Radio and TV receivers
Step III August 1970	Synthetic detergents Cosmetics Edible oil Sugar Beverages Contract construction Furniture Beds Clothing Most automobile parts Air conditioners Electronic organs Newspaper publishing	Boilers Turbines Generators Plywood Ceramic tableware Synthetic fibers Pharmaceuticals Automobile tires
Step IV October 1971	Petroleum refining Petrochemicals Aluminum casting Copper rolling Abrasives Paper containers Dairy products Confectionery Automobiles	
Permanently interdicted:	Agriculture Mining Nuclear power Electronic computers and program services	Forestry Public utilities Munitions Governmental monopolies (tobacco, salt)

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- Electrical household appliances
- Electronics
- Transportation, especially automated railroading

and is relatively deficient in

- Nuclear energy
- Munitions
- Aircraft
- Space technology, especially guidance
- Computer technology, especially software--but Japan is fully competitive in "minicomputers"
- Scientific instruments, except optical instruments and large electron microscopes.

with a GNP one sixth that of the United States, and spending one half as much proportionately on research and development, Japan spends less than a tenth as much on research and development as the United States does. In 1967, however, the cost of research and development in Japan averaged \$10,700 in toto per staff member; so Japan was getting perhaps three times as much professional research effort per dollar as was obtainable in the United States. ("Staff member" is distinguished by the Japanese Bureau of Science and Technology from "research assistant," "technician," and "administrator," and therefore is presumably roughly equivalent to "research professional" in American parlance. Exact equivalence is, of course, impossible. See Table 31.)

From 1961 to 1968, the size of Japan's research staff increased at an average rate of 6.7 percent per year, which is equivalent to doubling every eleven years. But between 1962 and 1966, according to the Japanese

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Table 31

NUMBER OF RESEARCH PERSONNEL

Year	Total	Number of Research Staff	Number of Research Assistants	Number of Technicians	Administration and Others
1961	225,218	86,763	55,259	45,588	37,608
1962	242,604	90,967	61,978	50,615	39,044
1963	272,466	105,781	66,763	56,814	43,108
1964	289,290	114,839	72,444	57,297	44,910
1965	303,789	117,596	75,936	62,648	47,609
1966	323,009	128,928	82,915	60,156	51,010
1967	327,623	138,689	80,058	61,155	47,721
1968	353,122	157,539	83,183	68,132	44,268

Source: Bureau of Science and Technology, "Survey of Science and Technology."

Ministry of Education, degrees granted at Japanese institutions increased at the following annual rates:

	Average Annual Rate of Increase in Number of Degrees Granted 1961-1968	
	Physical Sciences (percent)	Engineering (percent)
Masters	21.3	46.0
Doctors	13.1	41.1

According to the general consensus of opinion, Japan suffers from a relative inability to transfer information from basic science to applied technology. Perhaps a fairer way to state this proposition is this: Japan suffers from a dichotomy between theory and practice that

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is general in industrialized states except that it is partially bridged in the United States. One of the reasons for this dichotomy is that, except in U.S. educational institutions, science and engineering faculties are typically entirely separate.

Japanese science and technology is especially compartmentalized. Basic research goes on mostly in universities; applied research and development in government and public laboratories and in industry. The graduates of state universities tend to go into government; the graduates of private schools into industry. A given institution--government, public, or industrial laboratory, for instance--tends to hire only the graduates of a single or a few institutions. Once industry hires a professional scientist or engineer, he almost never changes employers: that would imply to the Japanese mind that he was incompetent or that he might be suspected of trafficking in trade secrets. However, Japanese industrial firms are showing increasing interest in hiring scientists and engineers from government laboratories.

Analysis of U.S. research and development has indicated that the most effective way in which technological innovations diffuse across disciplinary and interindustrial boundaries is in the minds of professional people who move from employer to employer. For this reason, the high mobility of scientists and engineers in the United States is a stimulant, not a deterrent, to rapid technological development.

Up to the present, Japanese technological development has depended to a significant, if not a major, extent on imported innovation. As Japan becomes technologically autonomous, will it be increasingly handicapped by the immobility of its research and development workers?

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III Research and Development To Offset Needs for Strategic Imports

As Japan grows toward world leadership in foreign trade, its dependence on imports for strategic materials will become progressively more galling. In all probability, therefore, Japan will exert significant technological effort over the next decade to reduce its dependence on imported strategic materials.

On a land area 10 percent smaller than that of California, Japan supports five times the population of California. In the recent past, Japan has achieved the energy equivalent of self-sufficiency in food: Japan exports rice and imports meat, fruit, and vegetables. Increasing affluence, allowing for a more variegated diet, exerts an upward pressure on these imports.

Japan's production of minerals and fossil fuels is negligible. Japan has developed hydroelectric power resources, and mines some coal; for the balance of its energy requirements, Japan depends on imported coal, oil, or nuclear fuel. Japan also imports the bulk of the mineral ore that it refines. Japan's timber resources are negligible. With the exception of most home milk needs, Japan imports the raw materials for its textile fibres.

In addition to Japan's natural desire to lessen dependence on imports of these materials, Japan may find them progressively more difficult to obtain as the scale of its foreign trade increases. Japan's purchase of timber in the United States, for instance, is meeting with increasing resistance.

The following subsections outline several kinds of technological effort that Japan is likely to undertake in trying to alleviate its dependence on imports. Japan's ability to keep its GNP growing at the

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rate of 10 percent a year throughout the next decade may depend, to a first-order extent, on the rapid success of one or more of these efforts.

A. Exploit Tidal Energy

The Passamoquoddy fiasco has given tidal hydroelectricity an undeserved aroma of impracticality in the United States. France is proceeding with a major tidal electricity project in Brittany. It may well be that Japan can profitably exploit the moderate Pacific tides, especially with the recent development of efficient reversible low-head turbine pump-generators.

B. Farm the Continental Shelf

Immediately around Japan, the continental shelf (the seabed next to the continent at depths of 600 feet or less) is quite narrow, and most of the Sea of Japan is more than two miles in depth. But the shelf underlies almost all of the East China Sea and the Yellow Sea, southwest of Korea. Japan may elect to put as much of this shelf area as possible under marine agriculture.

Fishing is not really marine agriculture but can be a preliminary to it. Ocean fish have long been a staple in the Japanese diet; Japanese fishing vessels range aggressively over the Pacific; and Japanese fish exports are a significant part of its foreign trade. (Japanese fishing vessels deliver tuna to American canneries around the Northern Pacific and so the canned tuna is not labeled "imported" on the American market.)

The next stage may be the development of extensive facilities for producing fish meal. Japan would export the meal to undernourished areas in East Asia, and in addition would use the meal as an additive

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to fodder. In this way, Japan may develop the ability at least to fatten all of the animals required for its increasing consumption of red meat. The meal also could be added to chicken feed. (There is no reason why Japan could not develop an extensive, industrialized egg and broiler business similar to that now prevalent in the United States.)

Shellfish are already cultivated in Japanese coastal waters. Widespread fish farming in estuaries and along coasts is a logical development. Ecologically balanced fish farms in which the farmer applies fertilizers and water and harvests grains and catfish are now economically feasible in the United States and are expanding rapidly in the Southeast. A parallel development should be possible in the rice paddies in Japan.

Less immediately practical but probably warranting some Japanese effort is the development of new species of plants that can grow on the continental shelf and supply fibre for fabrics and paper. These plants might even yield a structural substitute for wood. The American lumbering industry is known to be looking for "a good cheap substitute for trees": a cellulose-fibre-bearing plant that will grow more rapidly and have a shorter life cycle than timber trees. In the light of the fact that the vast majority of cut wood is pulverized--for paper, into sawdust, and made into particle board--and that this pulverized wood can be reconstituted into structural members, the idea of marine timber is not far fetched. Nor, in the light of the historic role of papyrus, is the idea of a marine source for paper or textile fabrics.

C. Mine the Continental Shelf

In the absence of its own oil resources, Japan is engaged in joint oil-production ventures as far away as the Persian Gulf. Today's major oil discoveries are being made on continental shelves: off

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California, in the Gulf of Mexico, in the North Sea, on the North Slope of Alaska. Japan will surely do a thorough exploration of its own coastal waters to determine whether or not oil or gas is present. In fact, given reason to expect extensive deposits, Japan may pioneer in the development of relatively deep-sea oil drilling. (The likelihood of significant oil deposits at midocean depths--two miles or more--is for geological reasons quite small.)

Not only oil and gas but also other minerals may lie beneath the continental shelf. It seems eminently worthwhile for Japan to pioneer in underwater mineral exploration.

The grand prize would be the discovery of commercial quantities of uranium in Japanese territorial waters. Enough uranium would end Japan's dependence on imported energy sources and might make electrolytic extraction of minerals from sea water economically feasible.

D. Develop Synthetic Materials Producing from Materials Available in Japan

Almost the whole American plastics industry uses petroleum as its raw material, and it probably developed here in the way that it did because of the relative abundance and cheapness of oil. Japan may be motivated to try to develop alternative materials using raw materials domestically available: ceramics, silicates, and organics, for instance.

E. Exploit Controlled Nuclear Fusion

If controlled nuclear fusion ever becomes a competitive practical reality--i.e., if it can produce electrical energy at competitive or better-than-competitive costs, without interdicting harmful side-effects--Japan probably will benefit from it more than any other single nation. The heavy hydrogen or tritium that fuels nuclear fusion can be

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extracted from sea water, and sea water is a natural resource abundantly available to Japan. Japan could extract deuterium or tritium from waters ingested on the east side of its island chain and discharge the waste water on the west, or vice versa, and let the whole Pacific dilute the waste water before it is ingested for fractioning again.

Controlled nuclear fusion at competitive costs would give Japan, in common with all the rest of the world, a virtually inexhaustible source of energy: seventeen oceans full of gasoline, since the deuterium and tritium in each liter of ocean water would yield energy equal to that yielded in combustion of seventeen gallons of gasoline. (The energy of extraction and triggering fusion must be subtracted from this yield.) Fusion energy apparently would carry with it none of the hazards from radioactivity, including radioactive spent fuel wastes that accompany nuclear fission. This would be of particular benefit for Japan, already suffering severely from pollution. (Thermal pollution might be less, per kilowatt-hour of energy, with fusion than with fission or combustion of fossil fuels; but some thermal pollution is an inescapable concomitant of the consumption of energy.)

For these reasons, and in consequence of Japan's peculiar dependence on importation of fossil or nuclear fuels, Japan may soon place primary emphasis on controlled nuclear fusion in her atomic science and technology efforts.

F. Conclusion

Success in technological efforts of these kinds will not alter Japan's character as a trading nation, but it may decrease the vulnerability that results from its dependence solely on outside sources of supply, and it may change the character of some of her imports: Japan may, for instance, import feed rather than food, and cattle for fattening

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rather than meat. Japan may be expected, therefore, to put special emphasis on efforts of this kind.

As in the past, Japan will begin by absorbing, to the extent possible, all that has been learned through research and development elsewhere in these areas; and will show ingenuity in adapting what has been learned elsewhere to its peculiar needs and tastes. But in some of these areas--marine farming, deep-sea mining and petroleum extraction, and controlled nuclear fusion particularly--Japan may move into the forefront of the world's research and exploratory development effort.

IV The Manpower Crisis

The shortage of manpower of every variety will be one of the major limiting factors in the technological and economic development of Japan in the next decade. Scientists and engineers, for example, are now being trained at a rate that is barely meeting their present rates of attrition in the work force. The present government objective of increasing research and development expenditures from the current 1.5 percent or so to 3.0 percent or so of the GNP within a decade (assuming in addition that the GNP is going to continue growing at 10 percent per year) may founder on the lack of scientists and engineers. And the growth of the GNP itself may be slowed by an essentially constant-sized work force. The labor force is not growing even at the rate at which the population is growing--1 percent a year or so--and by 1985 or 1990 may stop growing altogether.

In theory, there are a variety of expedients open to Japan to alleviate this shortage and to increase the productivity of the given labor force. Each expedient is to some extent antithetical to traditional Japanese values, and so the Japanese people may regard each with reluctance. But the course of technological development in Japan over

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the next decade will depend in large measure on which combination of expedients its leaders will choose.

The following possible expedients are reviewed for alleviating Japan's coming manpower shortage.

A. Rationalize Employment Practices in Industry

Two factors, other than the impending labor shortage, are already operating to modify the traditional Japanese industrial employment practices: (a) The system has always depended on the agricultural-labor populace for casual employees to meet peak labor demands, and with the industrialization of agriculture this labor pool is disappearing; (b) The labor application rate, and therefore the achievable overall labor productivity, has never matched that achievable, ceteris paribus, with Western labor management methods.

For these reasons, Japan may elect to ameliorate its coming labor crisis by modifying traditional employment-relations practices. That Japan will simply opt for Western-style labor-management relations is doubtful: the highly centralized character of Japanese industry would require equally centralized and powerful labor unions. The Japanese government-industry complex would probably not muster the vision and courage to let them develop, even were they shown to be desirable. What seems more likely is the development of a guild system in which the individual is employed by, and receives the social services now provided by the employer from, an organization, like a guild, that contracts out his services to an industrial firm.

In particular, Japan can alleviate the coming critical shortage in scientists and engineers by great proliferation of contract research and development organizations. Such an organization "can serve two

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masters," in the sense of doing research and development for and respecting the proprietary interests of several clients, without binding the individual scientist or engineer in fealty to one industrial concern for the whole of his career. By more flexible hiring practices, it can ameliorate the present highly stratified structure of Japanese science and technology.

B. Rationalize Agriculture

In common with most industrialized nations, Japan's agricultural technology lags behind its industrial technology. Industrialization of Japan's agriculture has made it self-sufficient on a food-energy basis (Japan exports rice, but imports protein foods); the farm population has shrunk to some 15 percent of the total, and only 5 percent is really needed to operate the agricultural establishment. But in Japan, as elsewhere, it has been politically easier to subsidize agriculture and to support a surplus farm population at a subsistence level than to rationalize agriculture. As a consequence, some 10 percent of Japan's work force, now on the farm, could be productively employed elsewhere-- if it were vocationally and psychologically fitted for such employment; if rationalization of agriculture were not so politically perilous, because of emotional attachment to and idyllic pictures of traditional rural life; and if the economy could do without the pool of casual labor that this 10 percent constitutes.

There is likely to be a rapid expansion of Japanese industrial agriculture--including marine agriculture--over the next two decades. It may well prove to be more feasible to move farm workers into these enterprises than into current industrial enterprises. For all of these reasons, it is doubtful that the present Japanese rural population will make a sizeable contribution to the labor force in presently important

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sectors of Japanese industry. The most significant result will take a generation or more to accomplish. It will consist of a gradual reduction in the number of farm households, as farm children grow up, receive a technical education, and go into Japanese industry; and a concomitant gradual growth in the number of rural nonfarm households, as the opportunity and desire for suburban living grows.

C. Rationalize the Distribution System

Japanese products and commodities move through many successive hands en route from producer to consumer. In part, this is the consequence of the Japanese preference for face-to-face dealing with an acquaintance, and for verbal understandings, instead of dealing impersonally via purchase orders with a corporate entity known by reputation only. In part, it is the consequence of the feeling that many more middlemen can make a profitable living if no one individual tries to expand his line of goods or deal more directly with producer or consumer.

The latter rationale is invalid in an era of continuing, long-term labor shortage, but the former embodies values that are real and important to the Japanese people and that therefore are not amenable to rapid change. Probably, therefore, the rationalization of the Japanese distribution system will proceed at a leisurely pace--not so slowly as the rationalization of Japanese agriculture, but more slowly than an American would visualize streamlining a distribution system. The Japanese government could adopt a policy of encouraging mergers, vertical and horizontal, among distributors; of requiring technical education of the children of distributors; and of standardizing as many products as possible. The result may be, within ten years, a distribution system that, although like nothing in Europe or America, matches European or American distribution systems fairly well in efficiency.

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Progressive rationalization of the distribution system should allow, by 1980, movement of at least 5 percent of the labor force from distribution into other segments of the labor force.

D. Rationalize the Position of Women

Theoretically, Japanese women constitute a significant pool of untapped, unproductive labor. Practically, their introduction into industry would involve so great a shift in values and attitudes on the part of Japanese government and industry leaders--and on the part of the women themselves--that a major change within ten years is unlikely. More likely a gradual diminution will occur as younger girls are trained for useful roles in commerce and industry and as younger men, with differing mores, replace current leaders in government and industry.

E. Import Labor

This expedient has been a favorite with most industrial nations: Scotch and Irish into England and the United States; Northern Europeans into America; Southern Europeans into Northern Europe. But Japan's nationalism and the homogeneity of its population will make importation of labor particularly difficult.

Japanese policy on importation of labor may be motivated as much by avoiding the appearance of massive foreign immigration as by the fear of the actual admixture of foreign elements into Japanese language, culture, or racial strains. (A subsidiary fear, from the Japanese point of view, would be the export of earnings by laborers to their families back home.) To the extent that they do, in fact, elect to import labor, therefore, the Japanese are likely to favor Koreans and Okinawans. But Okinawans are very limited in number (a half million or so in all) and somewhat resemble the Ainu, the prehistoric aborigines of the Japanese

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islands, only a remnant of whom now remain in Japan; and the Koreans, although resembling the Japanese in physiognomy, differ from them widely in language and culture. Other immigrants--from Taiwan, the Chinese mainland, Indochina, Melanesia, Polynesia, India, and elsewhere--would be progressively less acceptable as permanent elements in the Japanese population.

In addition to all of these disadvantages to importing foreign labor from the Japanese point of view, there are the limitations from the immigrants point of view. Japan is a clannish society. The Japanese individual feels a warm, deep sense of fellowship with other individuals who are members of the same group as he: his family, his firm, his social club. He has almost no feeling for the individual that does not belong to a group with him.

A Japanese individual acting as a representative of his group in dealing with the representative of another is ceremonially correct. But he does not perceive a foreigner as representing any group that is correlative to his own; in dealing with a foreigner, he conceives of himself as dealing with an individual who represents no one but himself--or he represents foreign economic or political imperialism. It is this, as well as Japanese xenophobia, that makes doing business with a Japanese firm so difficult for Americans.

The individual immigrating into Japan will therefore face, in addition to all of the difficulties faced by immigrants anywhere, the fact that in the eyes of the Japanese people he has no status. Even when immigrants come in sufficient numbers to form an enclave of, say, Koreans, their groups will not be recognized as correlative to those of the Japanese people themselves. If, as a consequence of government policy, a sizeable number of people immigrated into Japan, they would not be harassed. They would be ignored.

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It is doubtful, therefore, that Japan will elect to ameliorate its labor shortage primarily with immigrants. Japan will first try other options such as importing large numbers of trainees from labor surplus countries ostensibly as part of her foreign aid program. Japan will not become the melting pot of the Far East within the foreseeable future.

F. Reverse the Birth Rate Trend that Has Obtained since 1945

This expedient is appealing; in fact, Prime Minister Sato, in June 1969, hinted at it. But a variety of considerations weigh against it.

In the first place, it is not a short-term solution. It would require twenty years or so to begin to bear fruit, and in the meantime the consumer demands on the Japanese economy would be increased.

Secondly, the current depression in the Japanese birth rate was not originally a matter of government policy, but of individual choice, and it is not apt to be changed by government policy alone. The legalization of abortion came about on account of the soaring rate of illegal abortions, with a concomitant soaring incidence of mortality and morbidity, after World War II. At that time, the refusal of Japanese women to have children may have reflected despair. Today, it undoubtedly reflects a preference for having few rather than many children and providing for them adequately.

In the third place, the burgeoning Japanese problems of pollution and congestion will militate against any great increase in the Japanese population, at least within the next ten years.

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G. Automate

One obvious alternative to increasing the size of the labor force is increasing the productivity of the labor force. Predominantly, this involves increasing the capital investment per worker. This has in fact been the way in which Japan has accomplished the annual growth rate of 10 percent in GNP over the last twenty years, with a 1 percent growth rate in population and labor force.

Heretofore, capital intensification of labor in Japan, as in the United States until recently, has been primarily through increase in the power available to each worker. Henceforth, the major opportunity for capital intensification will be through automation. Automation takes over from the worker the performance of predictable, repetitious tasks, and requires instead that he be a monitor, diagnostician, and perhaps repairman. Automation multiplies the productivity of the worker; it also multiplies the technological sophistication demanded of the worker as well as freeing workers for other jobs.

Japanese industrial leaders are already aware of the automation revolution and are combing the West, the United States included, for technological inputs to automation. Japanese technologists now aver that they do not hope to become competitive with, say, IBM in computer technology; and IBM Japan is one of the very few industrial concerns in Japan that is wholly foreign-owned. But Japan has already developed a world market for its minicomputers, and will also develop an unrivaled capability in small process computers allowing for automation of low-volume, diversified manufacturing operations.

It was not anticipated, but the first major impact of automation in the United States was in management and finance rather than in manufacturing. Conceivably, the first major impact of automation in

Japan will be neither in management and finance nor in manufacturing, but in research and development. It is there that the labor shortage is most acute. On the other hand, Japanese management (governmental and industrial) is saturated with generalists who will take gracefully neither to dealing with large-scale automation of management nor to shifts into scientific or engineering careers.

Automation of Japanese science and industry will further increase the burden on facilities for training and retraining people at all levels from skilled labor to the highly professional. The Japanese worker of 1980 will monitor dials instead of operating a punch press; his scientist contemporary will have learned to "think with a computer." Among other things, this implies that instruction itself will become increasingly automated. The technical feasibility of automated instruction, even into abstruse realms of mathematics and theoretical physics, is very much greater than has yet been explored.

H. Conclusion

It has not been possible to make a quantitative evaluation of the relative extent to which Japan will depend on each of these expedients to alleviate her coming manpower crisis. What is possible is a ranking of the probable order in which these expedients will fail:

- (1) Automate
- (2) Rationalize employment practices in industry
- (3) Rationalize the distribution system
- (4) Import labor
- (5) Rationalize the position of women

(6) Rationalize agriculture

(7) Reverse the birth control trend.

Note that this is not a ranking of relative efforts but of relative magnitude of results. Rationalizing employment practices or the distribution system would probably require much more effort for a given net percent increase in the labor force than importing labor, but the Japanese people nevertheless would probably prefer rationalization to an influx of immigrants.

Note further that every one of these expedients involves teaching or training people. The rationalizing and automation of education and training is the expedient, behind all of the listed expedients, that can effectively increase the productivity of the Japanese work force.

Note finally that each of the listed expedients (except the last), and education and training, can benefit greatly from computer technology. For this reason and for others, computer technology is likely to receive primary emphasis in Japan over the next decade.

V Japanese Technology in 1980

A. The Japanese Economy in 1980

For nearly two decades, Japan's GNP has grown at an average rate consistently greater than 10 percent per year. The Japanese government and industry aim to maintain this growth rate for another decade, and many analysts expect them to succeed. This would yield a GNP in 1980 of about 460 billion 1968 dollars, about 2-1/2 times what it is today.

There are, however, a variety of reasons for doubting that Japan can maintain this "forced draft" growth in her economy:

- Much of the past expansion has been financed through short-term bank loans, especially from the Bank of Tokyo. This is high-interest capital and has often forced Japanese manufacturers to "dump" production abroad in order to recover capital costs. Saturation of foreign markets will render this expedient progressively more difficult.
- Japanese industrial expansion has typically been a "high leverage" operation, i.e., a firm's equity in its own plant has been relatively low. High leverage allows rapid expansion; it also runs the danger of bankruptcy in the event of falling sales or prices.
- Much of the internal reinvestment making for rapid expansion has been made possible because of underpayment of employees. The relatively constant labor supply over the next decade, and the increasing demand for wide sharing in the fruits of Japan's prosperity, will force Japanese firms to raise wages and "fringe benefits," leaving less of profits for internal reinvestment.
- Japan's rapid industrial expansion has been possible partially because of her neglect of pollution and of public capital investment. The demand and the practical necessity for taking care of these "external costs of production" will tend to lessen the capital available for industrial expansion.

- Japan's defense and foreign aid expenditures are now much smaller proportionately than those of Western nations. They will almost certainly increase in the next decade, although it is difficult to estimate how much.

For these reasons, it seems unlikely that Japan's GNP will continue to grow during the next decade as it has during the past two. More likely is a deceleration in its growth rate, as its economic structure "matures," until by 1980 it is the same as that of the United States--4.5 percent a year.

If this deceleration occurs at a constant rate over the next decade, Japan's economy will approximately double in ten years, reaching 370 billion 1968 dollars per year. This estimate is obviously highly approximate. It depends, among other things, on how rapidly the Japanese economy will decelerate. But it implies an economy in 1980 that is growing in parallel with that of the United States and resembles that economy, in the structure of its earnings and expenditures, more than the two economies resemble each other today.

B. Level of Technological Effort

Japan's research and development budget is now about 1.5 percent of its GNP, and efforts will be made to increase it to about 3.0 percent, an investment rate proportional to that of the United States. (See Table J2 for the R&D budget spent by types of organizations, 1959-1967.)

This is a reasonable goal for Japan to achieve by 1980, if its economy decelerates, as forecast above. In these circumstances, 3.0 percent of GNP would represent merely continuation through the next

Table 32

R&D BUDGET SPENT BY TYPES OF ORGANIZATIONS

Year	Budget (millions of dollars)				Ratio to GNP (percent)
	Company Research	Research Institutes	University Research	Total	
1959	265.5	71.4	76.7	413.6	1.11
1960	345.5	81.7	85.0	512.2	1.15
1961	455.0	110.8	115.3	681.1	1.27
1962	498.3	132.5	150.3	781.1	1.33
1963	575.8	142.2	173.9	891.9	1.30
1964	677.5	168.3	214.7	1,060.6	1.34
1965	701.1	189.2	291.7	1,181.9	1.36
1966	811.7	214.4	330.3	1,356.4	1.33
1967	1,052.8	245.8	381.7	1,683.3	1.41

Source: Bureau of Science and Technology, "Survey of Science and Technology," Economic Planning Agency, "National Income Statistics."

decade of the growth in Japan's research and development budget that Japan has experienced through the past decade.

Figure 5 portrays the situation. In this figure, the solid lines represent Japan's experience in the past decade; the 1970-1980 points are projections; and the dashed lines joining them represent the trends over the decade.

As stated above, Japan's GNP is not expected to grow at a constant rate, but to decelerate, reaching the lower point joined in the 1970 estimate by a dashed line. The 1970 estimate of Japan's research and development budget is 1.5 percent of the estimated 1970 GNP, and the

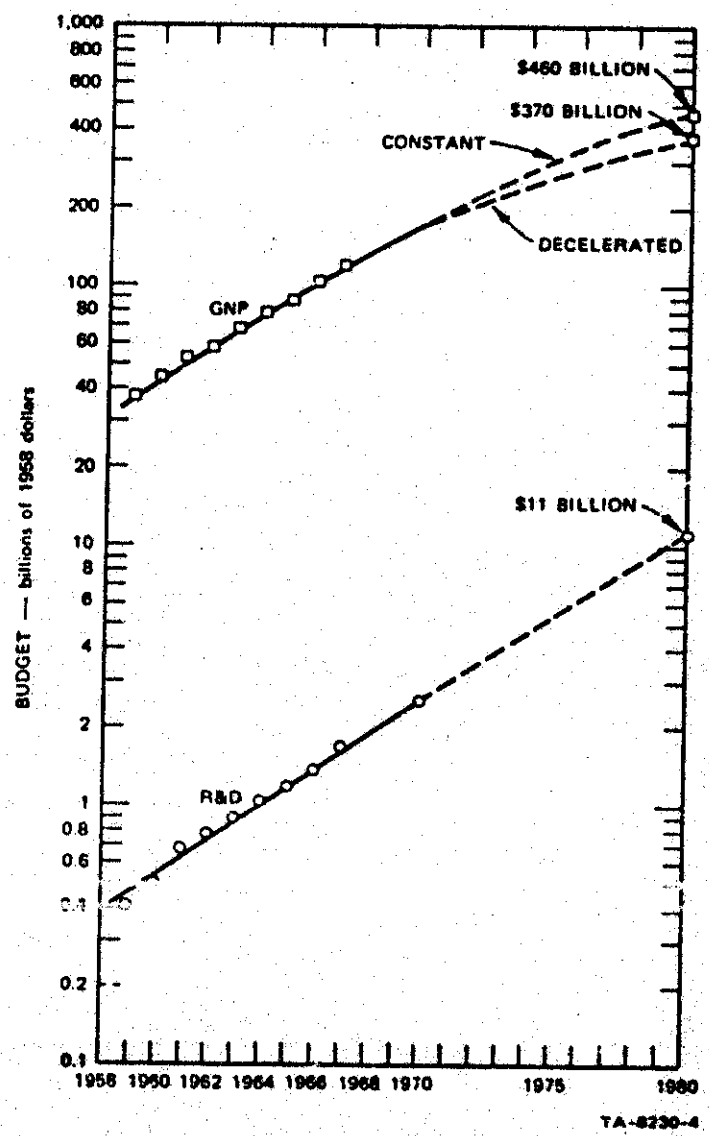


FIGURE 5 PAST AND PROJECTED TRENDS IN JAPAN'S GNP AND R&D BUDGET

1980 budget projection is 3.0 percent of the decelerated 1980 GNP estimation. The trend between these two budget estimations is essentially a continuation of the trend over the past decade.

But this trend does not represent realistically the actual growth rate in research and development activity. As in other countries, the cost per man-year of professional research activity is growing in Japan. The result is that the growth in the size of the professional research and development staff is significantly less than that of the budget, as the lowest line on Figure 5 shows. Staff size has increased 2-1/4 times in the past decade and is expected to increase the same proportionate amount in the next.

For fundamental reasons, this is not a conservative projection. This growth rate represents a doubling of professional staff every 8-1/2 years--about as rapidly as professional staff members can be trained even under "forced draft" conditions. By comparison, Derek J. de Solla Price has found that the number of professional scientists and engineers in the world has doubled about every fifteen years since about 1750.

Japan does not have any significant number of immigrant scientists and engineers; Japan therefore must train its own citizens or send them abroad for training. Although the number of science and engineering graduate degrees conferred annually in Japan has been growing rapidly, Japan still does not train enough to balance attrition in professional staffs. There is a limit, furthermore, to the extent to which professional education can be accelerated. Instructors must be taken away from research and development efforts, and rapid expansion of instruction tends to degrade the quality of instruction.

For these reasons, it seems realistic to forecast that in 1980 the size of Japan's research and development effort, in man-years, will

be just over twice what it is today. The more rapidly increased expenditure represented by the middle set of lines in Figure 5 will go into increased staff salary and into increased instrumentation and computer services.

C. Shifts in Emphasis

On the basis of the analyses in the preceding sections, it is reasonable to anticipate increased emphasis on the following technologies over the next decade.

- Pollution control^{*†}
- Computer technology, especially software and computerized instruction^{*}
- Nuclear energy, especially controlled nuclear fusion^{*}
- Industrialization of housing^{*†}
- Rapid transit and automated high-speed railroading^{**†}
- Solid-waste and sewage disposal^{**†}
- Integrated utilities distribution systems^{**†}
- Industrialization of agriculture^{**†}
- Deep-sea mining and petroleum extraction^{*}
- Marine farming^{*}

* Japan is likely to specialize in some or all of the technologies marked with an asterisk.

† In particular, Japan may be able to profit by exporting the technologies marked with a dagger to other Far Eastern countries then in this process of industrialization.

- Food processing
- Metallurgy
- Ceramics and organic plastics
- Scientific instrumentation
- Munitions.

This list is not necessarily an order of anticipated priority in Japanese planning. However, most, if not all, of the increase in research and development effort in the next decade will go into these technologies. In the light of the anticipated limitation in research manpower, the level of effort in other technologies will remain relatively constant or will decrease.

D. Japanese Technology in 1980

In the technologies in which Japan now excels (see Section II) or on which she will place increased emphasis (see preceding list), Japanese research and development capabilities will by 1980 be the equal of any in the world. At that time, however, there are likely to be several other new and outstanding centers of excellence in research and development. Among nations that may develop such centers are Australia, India, Israel (already prominent, given a favorable outcome of the Middle East crisis), Italy, Benelux, Scandinavia, and Canada.

In these circumstances, increased specialization in research and development on a national basis is likely to develop.

The state of Japan's own technology will depend critically on its success in dealing with the crises outlined in previous sections. If Japan solves its energy problems, either by adequate assured imports, by developing adequate domestic or offshore fuel supplies, or above all by

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controlled nuclear fusion, and unless it is frustrated in obtaining or substituting for other critical materials, Japan will have the resources for dealing with its major manpower and the consumer problems.

Given the projected growth in GNP portrayed in Figure 5, and assuming a 1 percent annual growth in population, Japan's per capita GNP in 1980 will be comparable with that of the United States today. Japan's per capita public investment will not then match that of the United States; but in terms of real convenience, its transportation and communication facilities and utilities in modernized areas may rival those in the United States. The distribution of a larger share of the GNP to the consumers will mean effectively tripling the affluence of the individual.

This picture represents the optimum outcome for Japan. Any one or more of a variety of disruptive events could prevent attainment of the economic or the technological levels portrayed here, e.g.:

- War or international crises, e.g., with Communist China
- Denial of supplies or markets, e.g., by the United States, in the event especially of a widespread international emergency
- Failure to deal adequately with any of the problems of environmental decay
- Large-scale political disruption at home.

Other events could be visualized. This list is sufficient, however, to demonstrate that Japan's becoming a strong third country when compared to the United States and USSR in GNP, affluence, technology, and research and development capability depends on sound management and luck.

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E. Japanese Technology after 1980

The data base is too shallow to do more than speculate about some qualitative developments that are likely for Japan after 1980.

Japan will share, with the rest of the Northern Hemisphere, in a continuing concern about ecological disaster, and in common with them will be trying to find ways of dealing with the thermal pollution problem that is slated to become global about the turn of the century. By 1980, Japan will have initiated increased research and development effort on this problem.

Beginning in the neighborhood of 1980, Japan will become a significant exporter of research and development: that is, Japan will undertake such efforts on the behalf of foreign clients. In this, Japan may largely replace the United States in the Far East. By then, much of Japan's research and development efforts will be on a contract basis.

By 1980, Japan will be entering the "postindustrial age"--the stage of economic development characteristic to some extent of the United States today. As a result of the relative success of the economic endeavor, its principal tools--"the carrot and the stick," wage incentives, and the threat of unemployment--become relatively impotent. In Japan, this will take the form of a waning in the effectiveness of the feudal technocracy. What will replace it in motivating and integrating society is not easy to visualize.

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