

WL Chen

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DEPARTMENT OF STATE

## BRIEFING MEMORANDUM

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WITH SECRET/NODIS ATTACHMENT

To: D - Deputy Secretary Ingersoll  
E - Mr. Robinson  
P - Mr. Sisco  
C - Mr. Sonnenfeldt  
EA - Mr. Habib  
PM - Mr. Vest  
INR - Mr. Saunders

From: S/P - Winston Lord

Japan's Foreign Policy Trends

Attached is a paper prepared by a member of my staff which analyzes current tendencies in Japan's foreign policy and their implications for the United States. It describes a relationship which--happily--is in good shape; and suggests that the principal tasks for the future lie in consolidating that partnership rather than reshaping its central contours.

It surveys a number of trends in Japanese policy, among them the diversification of its economic relationships (pp. 2-5); the development of a more flexible GOJ diplomatic stance in Major Power diplomacy (pp. 5-8), among the industrial democracies (pp. 8-10), on North-South issues (pp. 10-12), and in the Asian region (pp. 12-15); the initiation of a more searching public debate on national security issues (pp. 15-19). The balance of the paper (pp. 19-29) is devoted to an analysis of the implications of these trends.

The principal conclusions are:

-- While Japan's diplomacy includes some notably ambivalent features and is marked by a reticent style, it would be a mistake to regard this as indicating a lack of purposeful policy.

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-- While the GOJ's trade, investment, energy, aid, and raw materials strategy all reveal a desire to diversify the pattern of Japan's economic dependence, the US will remain for the indefinite future Japan's largest single economic partner. In some areas--e.g. food grain imports, energy, etc.,--Japanese dependence on us may well increase.

-- The GOJ has entered the Big Leagues of Major Power diplomacy, but in staking out positions in various diplomatic arenas, it approaches foreign policy the way George Allen approaches football--defensively.

-- The emergence of a more candid and searching public discussion of national security problems and options in Japan has been accompanied by a more forthright--and to date successful--GOJ effort to rationalize expanded defense cooperation with the United States.

-- None of these trends suggest a heightened danger of a politically assertive--much less militarily expansionist--Japan. Recent developments tend to reinforce Japanese awareness of their inherent vulnerabilities. The diversification of its international relationships forces the GOJ to weigh the impact of its decisions on a wider range of countries and interests. The weakness of LDP leadership discourages controversial decisions. All these factors tend to reinforce the innate caution of the GOJ.

-- Though boldness and assertiveness are unlikely to mark Japan's style, we can anticipate a more determined effort to develop sources of political influence with which to defend its interests in far-flung areas of the world. The GOJ's basic aim is to "neutralize" pressures from various sources. Thus, for example, its disposition to "tilt" toward the PRC, but only behind the facade of formal neutrality in the Sino-Soviet dispute and the protective shield of the US alliance; its desire to play the role of "bridge" rather than "broker" on North-South issues or with respect to trans-Atlantic differences; its search for a more "balanced" diplomatic stance in Korea.

-- Despite the fact that the Japanese are devoting considerable time and energy to the cultivation of new relationships with others, our diplomatic leverage remains

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substantial, and our ability to concert policy with the GOJ is unimpaired. By placing our relationship with Japan in a wider multilateral setting (e.g. the Asian quadrilateral, the US-West European-Japan triangle--CIEC, etc.), we have eliminated the "hot-house" atmosphere which was one legacy of the war, occupation, and a tight and exclusive alliance. Equally important, in each of the diplomatic settings in which the Japanese are now active, we continue to play the decisive role.

-- For the future, our main policy task is to consolidate an already strong relationship, head off potential irritants in our bilateral relations, and concert approaches to a host of multilateral issues.

-- While there are no imminent problems on the horizon, several issues will require especially sensitive handling in the future. As our economies move toward more substantial recovery, we need to focus consultations (in OECD) on avoiding measures which could contribute to a recurrence of the global inflationary pressures we experienced in 1973-74. On the political side major policy innovations are not called for, though we need to remain alert to potential problems in coordinating policy toward Korea, and should take another hard and thoughtful look at the nuclear transit issue. Continuing consultation on nuclear non-proliferation issues will be needed in order to strengthen international safeguards and find ways to deter the spread of national plutonium plants to sensitive countries.

The paper is classified NODIS due to references to the nuclear transit issue.

Attachment:

Paper: Japanese Foreign Policy: Some Trends and Their Implications.

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JAPANESE FOREIGN POLICY:  
SOME TRENDS AND THEIR IMPLICATIONS

For most of the post-war period Japan has managed to stay safely out of sight behind our global and regional policies. The GOJ concentrated largely on its own economic recovery; it developed a diplomatic style marked by flexible accommodation to the policies of the United States and others, while shunning major initiatives of its own. The policy proved extraordinarily successful.

But in recent years Japan's economic strength has grown too large, its perceived vulnerabilities to pressures from energy and raw materials suppliers have become too acute, America's economic and strategic stance has become too uncertain, and Japanese desires for a more autonomous diplomacy have become too insistent for this pattern to persist. Consequently, for several years influential Japanese--prompted in part by foreign criticism--have been calling upon their government to clarify its relationship with the rest of Asia, to act as a bridge between East and West and between North and South, to cease subordinating its foreign policy to commercial considerations, to reduce dependence on the United States, and to abandon the passivity which has generally marked its post-war foreign policy.

To date displays of Japanese assertiveness have been rare, but the GOJ's stance in the world has been changing at a gradual but steady pace.

It is frequently maintained that Japan has no world view; that its policies are strictly reactive and opportunistic; that its passivity on political issues is irresponsible; that in the absence of a settled and purposeful strategy major uncertainties exist about Japan's long term foreign policy orientation.

Certainly the Japanese still possess the mental reflexes of a "middle power" eager to minimize risks rather than maximize achievements. Japan's diplomatic style remains reactive rather than manipulative. The Japanese do not possess a grand design. They are not particularly in search of a "role." They generally pursue more tangible and proximate--frequently commercial--objectives.

Nevertheless, a close look at contemporary Japanese foreign policy trends suggests that:

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-- While there are some notably ambivalent features in Japan's diplomacy, it would be a mistake to view this as indicating a lack of purposeful policy.

-- The GOJ is eager to play in the Big Leagues of Major Power diplomacy whether this means trilateral forums embracing the industrial democracies (US, EC, Japan), the Asian quadrilateral (US, PRC, USSR, Japan), or the newly-emerging North-South dialogue.

-- In staking out their positions in these diplomatic arenas the Japanese approach foreign policy the way George Allen approaches football--defensively.

-- The central thrust of GOJ policy is directed at diversifying Japan's economic dependence and expanding its political options. This is perceived as a protracted process, and is not, of course, without limits.

This paper (1) examines the main expressions of Japan's effort to adjust its foreign policy to contemporary realities, and (2) assesses implications for US-Japan relations.

### Contemporary Trends in Japanese Policy

The most significant tendencies are (1) the GOJ's search for a more diversified pattern of economic relationships; (2) the expanding scope of Japanese diplomacy; and (3) their effort to crystallize a wider national consensus on defense and security policy.

#### 1. Diversification of Japan's Economic Dependence

In the Japanese sport of kendo, the position "happo-yabure" implies "defenselessness on all sides." This fairly describes the Japanese perception of their economic vulnerability. Japan's requirements for imported supplies of oil, food, and industrial raw materials are so great that self-sufficiency is idle fantasy. The GOJ can build some policy defenses against price gouging and supply disruptions by slowing down its rate of growth, by increasing its conservation measures, by altering its industrial structure, and by accommodating the political and economic interests of key suppliers. But the reality and extent of its dependence on others will not change. The GOJ's attempt to diversify this pattern of dependence is perhaps the dominant feature of its international economic policy.

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-- The pattern of Japan's trade is changing rapidly. 31% of its exports came to the United States in 1972; in the first six months of 1975 we accounted for only 19% of Japan's exports. Part of this decline is attributable to the recession-induced reduction in our demand for imports; in part it is a result of self-conscious Japanese efforts to spread its dependence around. The largest changes in the distribution of Japan's trade are attributable to rising oil prices and OPEC's new purchasing power. Whereas OPEC and the communist nations accounted for only 5% of Japanese exports in 1972, this figure expanded to roughly 25% in the first half of this year.

-- The Japanese are attempting to reverse the decline in their ratio of self-sufficiency in food production. Realistically the GOJ objective is to prevent a further increase in Japan's ratio of food imports; in 1975 Japanese dependence on the United States for feed grain imports--e.g., corn, wheat, sorghum, soybeans--actually grew. But the GOJ is investing in expanded agricultural production in a variety of Latin American and Southeast Asian countries in order to expand its future supply options.

-- The urge to diversify sources of oil is very strong; but policy opportunities are again limited in the short term. 99% of Japan's oil is imported, and the margin for conservation is relatively narrow. The GOJ is interested particularly in developing cooperative arrangements to expand oil production in regions outside the Middle East--e.g., China, Indonesia, Siberia. Nevertheless few officials expect to reduce supplies from the Middle East and Persian Gulf to less than 70% of their total oil imports before 1985. This stark fact compels them to concentrate substantial attention on the development of their political and economic relations with Iran, Saudi Arabia, Kuwait, Abu Dhabi, and Iraq.

-- Although nuclear reactor programs are temporarily slowing down, Japan still views this energy source as a vital component in its longer-term effort to reduce reliance on oil. Domestic politics is becoming increasingly involved in such emotionally charged issues as the environmental, safety, and siting aspects of nuclear plants. The Government hopes to overcome short-term setbacks and meet the goal of 30% reliance on nuclear power for electricity by the mid-1980s. In addition to diversifying sources of natural uranium, Japan is broadening the base of its enriched uranium supply. Despite the President's initiative in proposing the Nuclear Fuels Assurance Act to Congress (which

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would provide government guarantees to private firms constructing new enrichment plants), Japan remains cool on committing itself to invest in US facilities as a means of acquiring assured nuclear fuel. This is due to the slippage in Japan's nuclear program but also due to the negative Japanese attitude toward the Uranium Enrichment Associates venture which we view as the "lead project" in establishing a private enrichment industry.

-- Dependent upon imports for roughly 90% of their raw material needs, the Japanese must also seek closer political/economic relations with other major resource suppliers. While several key suppliers are industrially advanced countries--the US, Canada, Australia, New Zealand, South Africa, and the Soviet Union--a number are LDCs. And Japan's commercial diplomacy reflects a pronounced selectivity in the cultivation of developing nations. Mexico, Peru, Brazil, and Venezuela are of greatest interest in Latin America; the oil suppliers listed above occupy most of the GOJ's attention in the Middle East; Zambia, Nigeria, and Zaire are at the center of GOJ concerns in Africa; in Asia, Japan has its largest stakes in South Korea, Indonesia, Malaysia, the Philippines, and Thailand.

-- Overseas capital flows have temporarily declined, sharply due to stringent business conditions in Japan. But the distribution of Japanese foreign investments continues to change. Investments in Latin America and the Middle East show the strongest gains. In 1974 Japanese investments in Latin America equaled new investment in non-Communist Asia, and the cumulative total may soon exceed Japan's investment stake in Asia. The major beneficiaries to date have been Brazil and Mexico.

-- We remain by far the largest single economic partner for Japan. The Japanese may be eager to reduce the extent of their economic dependence on us. They have already made some progress. This relieves some of the psychological strains in our relationship. Japanese attention is directed at a wider network of global economic relationships, and we consequently figure somewhat less prominently in their overall calculations. But Japanese officials fully appreciate the indispensability of close economic ties with us, and the scope of those ties continues to expand.

In some areas--e.g., feed grain imports--Japanese dependence on the US is actually growing. Now that the

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price of oil has settled at well above \$10 per barrel, moreover, the Japanese recognize the economic feasibility of a synthetic fuel industry. This increases their interest in participating in the development of North American coal resources as well as shale and tar sands deposits. As the business communities in the US and Japan have reflected on the enormous political risks and financial costs of alternative energy investments, they perceive the clear advantages of sharing these through joint ventures. As deep seabed mining ventures open up, this pattern of risk and cost-sharing will expand further.

## 2. A More Flexible Diplomatic Strategy

If the Japanese are diversifying their pattern of economic dependence, they are also multiplying their foreign policy options. Their incentives and opportunities for diplomatic maneuver have increased, as have the dangers of missteps. And the GOJ has devoted considerable attention to positioning itself advantageously in various diplomatic fields, most notably: (a) the Asian quadrilateral; (b) trilateral arrangements among the advanced industrial democracies; (c) the search for a new pattern of North-South relations; and (d) the regional theater of Asia.

### a. The Asian Quadrilateral

The Sino-Soviet conflict offers Japan two opportunities and creates twin dangers. Their rivalry provides both Russians and Chinese strong incentives to seek closer ties with Tokyo; it encourages both to consider deeper Japanese involvement in their economic development. But it also stimulates the growth of Soviet and Chinese military capabilities in the Far East which is itself unsettling. And there are added risks that the GOJ may be drawn into the diplomatic quarrel between its communist neighbors.

In the Asian quadrilateral the GOJ is staking out a more balanced multilateral diplomacy. Pursuit of an "inoffensive" policy toward potential adversaries is simple prudence for a militarily weak Japan. And as Sino-Soviet rivalry has intensified in Asia, the Japanese have consciously sought to expand the scope of their interdependence with both the Chinese and the Russians while consolidating their alliance with us.

While the GOJ affirms its neutrality toward the Sino-Soviet dispute, it has made more substantial progress in its relations with the PRC than the USSR.

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-- Japanese relations with China are being rapidly intensified. Bilateral trade will exceed \$4 billion in 1975. A long term oil agreement--assuring deliveries of between \$20-25 million metric tons of oil to Japan per annum by 1980--will be signed in the near term. Consular relations are expanding, as are cultural exchanges. The framework of GOJ-PRC relations--agreements on trade, maritime, fisheries, and other matters--is now virtually equivalent to the GOJ's well established bilateral arrangements with the USSR. Political relations are cordial, although not without irritants on both sides.

-- With the Soviets the Japanese maintain a guarded political approach and economic ties are more circumscribed. Trade is expanding, and will surpass \$2 billion in 1975. Investment in Siberian resource projects is substantial (more than \$1 billion), but progress on the major oil and gas projects has lagged. The Soviets recently have stonewalled all movement on the Northern Territories issue, however, and they invariably resort to heavy-handed diplomatic tactics in their effort to abort GOJ-PRC negotiations of an anti-hegemony clause in their proposed Peace and Friendship Treaty. The Japanese remain resentful at past Soviet misdeeds, and suspicious of their future ambitions.

Toward both the USSR and PRC the Japanese are playing essentially a defensive strategy. This is evident in the manner in which they have managed key negotiations with each:

-- In discussions of the Tyumen project with the USSR the Japanese have consistently refused to permit the issue to be politicized. The GOJ assiduously kept the business community out in front in discussions of the deal with the Soviets. They carefully eschewed any linkage between the Tyumen deal and the Northern Territories question. And they have refused to permit Japanese involvement without the security blanket of American participation.

-- In their attempt to negotiate a Peace and Friendship Treaty with the Chinese, the Japanese initially sought to exclude an anti-hegemony clause altogether. Subsequently they attempted to relegate it to the status of an innocuous universal principle located in the preamble. Currently they appear resigned to its inclusion in the body of the text. But they are also determined to secure Chinese acquiescence in a GOJ interpretation of the clause which will drain it of much of its operative effect and defuse the issue politically in Japan.

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The basic dilemma which the GOJ faces is how to balance Sino-Japanese and Soviet-Japanese relations. Each has different assets and liabilities. China enjoys cultural access, has weighty political allies within Japan, promises expanding exports of oil, and currently poses no military threat. The Soviet Union theoretically offers to Japan a wider range of economic opportunities, but it also presents the greater shorter-term security challenge in terms of unresolved issues and uncertain future regional aims.

For the moment the GOJ is inclined to "tilt" in the direction of Peking behind the facade of formal neutrality in the Sino-Soviet dispute. This "tilt" reflects a variety of factors, including:

- the emotional preferences of the Japanese public;
- the GOJ's desire to preserve compatibility between its policy and the US approach;
- a tactical desire to leverage the USSR into a display of greater flexibility on territorial and economic issues;
- a conviction that this stance is consonant with Japanese interests in Southeast Asia.

The real challenge is in playing this delicate game without resorting to abject capitulation to Chinese demands or provoking a Soviet riposte. To date the GOJ has proved to be rather cautious in its tactics. But it has also kept its eye firmly fixed on its own objectives. The Japanese have refused to be anyone's patsy. They have preserved their own options. They have not overreacted to arrogant tactics, but have turned them aside. They have allowed neither the Soviets nor Chinese to dictate the terms of their relationship. They appear fully aware of their own bargaining strength. They are, as always, prepared to play a waiting game. And they have scrupulously consulted us regarding the evolution of their negotiating strategy, not least because the necessity of maneuvering between their powerful neighbors has reminded the Japanese of the diplomatic utility of an anchor to windward which alliance with the United States provides.

The Japanese entertain few illusions about pursuing "equidistant" relations with the Major Powers. The tangible benefits of close association with the US far exceed anything the PRC or USSR can offer. But reliance

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on US support and pursuit of "inoffensive" policies toward China and the USSR are opposite sides of the same coin. To the extent uncertainties exist about future US intentions in Asia and our will to maintain a strong position in the US-Soviet global balance, Japanese incentives to cultivate the other side of the quadrilateral are increased.

b. The US-Japan-Western Europe Triangle

A second focus of Japanese policy is on the emerging relationships among the advanced industrial democracies. The dominant emphasis here is on economic issues; the usual diplomatic forums are multilateral; Japanese membership in the club is increasingly taken for granted.

As the GOJ has adjusted to new pressures for growing policy coordination among the developed countries, it has sought to broaden its ties to Western Europe. Commercial and economic links have led the way. Exports to Western Europe have been growing rapidly for many years; they doubled in value between 1970 and 1973. Trade with Western Europe now accounts for roughly 15% of Japan's total trade, and Japanese investment in Europe can be expected to expand gradually in the future.

Political relations have evolved more slowly. The opportunities for contacts and exchanges within the OECD, IEA, and other forums are numerous. But the Japanese still appear perplexed by European thinking and planning; the European Division in the Foreign Ministry remains of secondary importance; and occasional flings at summit diplomacy have not overcome the sense of remoteness between Japan and the key West European countries. In the future the GOJ will inevitably devote growing attention to Europe in order to blunt EC protectionism, concert policies on matters of mutual concern, balance Japan's dependence on the US, and improve its position for dealing with the USSR and China.

In the process of extending its ties with Europe, the GOJ is finding that US-European differences provide some additional scope for Japanese diplomatic maneuver. The GOJ's natural stance in multilateral government-to-government talks is to find a mid-point, somewhere between the United States and the Europeans and cleave to that point as closely as possible. Obviously they "lean" a bit in one or the other direction depending upon the issue. By positioning themselves close to the middle, they seek to avoid isolation while enhancing their defenses against

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either US or EC initiatives they find unattractive. This is not to say that they have no substantive interests of their own.

-- On international currency questions the GOJ shares our preference for a flexible system, but shares the European desire to create some restraints against excessive fluctuations in the value of the dollar.

-- On trade issues, it seeks US support in breaking down protectionist walls in Europe. At the same time the EC's Common Agricultural Policy (CAP) offers them some "cover" against further American inroads against remaining restrictions on Japanese agricultural imports.

-- Within the IEA the Japanese have provided us strong support for the expansion and diversification of supplies as well as conservation and financial aims. They see little virtue, however, in our Minimum Selling Price (MSP) proposal, and while the GOJ has "agreed in principle" to the concept, privately it indulges misgivings and hopes that European reservations and Congressional opposition will kill the proposal.

-- In the International Wheat Council discussions regarding an international system of nationally held reserves, the GOJ seeks to fix financial responsibility for grain stockpiling on the producer countries. With the Europeans they argue that the issues of how to manage the reserves, when to buy and sell, etc., are extremely complex and interrelated questions which must be sorted out in the MTN in connection with market access arrangements. Their substantive position is not without merit, and they have utilized it to buy time and avoid outright opposition to our initiative.

-- In the emerging dialogue with the developing countries, the Japanese have offered quiet but useful support for US initiatives at several critical junctures. Along with the Europeans, they would prefer to stake out a position somewhere between the US and the Third World. But intra-governmental problems largely eliminate any prospect that they could "outbid" us for LDC favor with major concessions on substance. And on key issues such as commodity agreements, GOJ views are more akin to ours than the Europeans.

In short, within this new trilateral structure, the Japanese are managing to extract added flexibility for

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their diplomacy. Rather than seeking an activist stance as broker of trans-Atlantic differences, they are using this newly discovered tactical maneuverability for essentially defensive purposes. To date they have offered few ideas or initiatives of their own; they prefer to listen to the proposals of others, endorsing those they like, quietly resisting the rest.

c. The North-South Dimension

Here again the Japanese are caught in the middle, forced to steer a course which balances their resource needs with their other interests as a major industrial power. The Japanese view of the North-South problem is not marked by any great sense of obligation to poorer nations. Having achieved a measure of prosperity by dint of past sacrifice and hard work, they have scant interest in restructuring the world economy along the lines of a global welfare state.

Nevertheless Japan lacks any significant resources of its own. The GOJ has neither military might nor significant political influence with which to protect Japanese economic interests in many resource-rich areas. They are consequently disquieted by displays of "commodity power," for this casts doubt on the efficacy of their long-standing effort to "separate economics from politics." A Japanese "Project Independence" is inconceivable; confrontation with producer countries would be perilous; an effort to assure themselves resource supplies through long-term contracting and equity investments in LDC extraction industries runs up against Third World nationalism and risks of expropriation. The Japanese problem is, therefore, quite simply how to negotiate an international regime of trade and aid which will maximize their chances of securing adequate supplies of raw and semi-processed materials at tolerable prices for the foreseeable future.

Their strategy has several dimensions:

-- In the UN and elsewhere the GOJ has "postured" on some issues of special concern to the Third World, e.g., the anti-Zionism resolution, Arab-Israeli questions, South African issues, etc. In public their favored stance is "bridge" between DCs and LDCs; they hope to position themselves between the major industrial powers and the principal Third World architects of a new international economic order--i.e., appear as the vigilant opponents of confrontation.

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-- In the emerging North-South dialogue, their contribution has been more in "promoting" discussion than in contributing to it. The GOJ has not proposed any wide-ranging commodity arrangement to match the Lome Convention. The Japanese representative was virtually mute at the Seventh UN Special Session. Prime Minister Miki's intention of unveiling a major Japanese proposal for North-South cooperation at the Rambouillet Summit came to naught--a victim of inter-ministerial bickering and Finance Ministry opposition. Their role in the Conference on International Economic Cooperation is unlikely to be much more up-beat.

Secretary Kissinger's proposals at the Special Session surprised the Japanese. Some were irritated at the lack of prior consultation. And the GOJ will continue to scrutinize individual proposals carefully with an eye to burden-sharing implications. Nevertheless, Japanese officials generally accept the basic premises underlying the US approach and are relieved to see us move toward dialogue with the South. They accept the need to draw the more consequential "middle class" LDCs into international negotiations on the global economy. They share a stake in exposing the divergent interests among the various elements of the nonaligned coalition. They hope to draw the negotiation of specific proposals out in technical organizations (World Bank, IMF, IBRD, IDA, etc.) until the tide of LDC economic nationalism spends itself. And they are prepared to see some reforms introduced into global economic arrangements and to share the costs of those reforms in the interest of preserving the essentials of the existing market framework for North-South transactions.

How far the Japanese will go in shouldering the burdens of specific reform proposals remains to be seen. They believe--with some justice--that the extraordinary cost of their oil imports already gives them a disproportionately large share of the resource transfers produced by OPEC's oil price strategy.

-- Toward OPEC the Japanese have adopted a cooperative but not a capitulationist attitude. During the 1973-74 oil embargo many Japanese were tempted to play a "lone wolf" role in the Middle East aimed at working out privileged bilateral arrangements with the producer countries, undercutting the oil majors, and forswearing involvement in any efforts to harmonize policy with the oil consuming countries.

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On reflection the Japanese concluded, however, that the benefits of bilateralism are limited and the risks of a "lone wolf" role are substantial; that consumer cooperation is advantageous and can be managed in a non-provocative way; that the international oil companies will retain their dominant position in supplying oil to Japan for the time being, and--given their worldwide operations and equity oil rights--offer greater security of supply and lower prices than the GOJ can secure through direct bilateral deals; and that Japan must continue to rely on the US to provide the conceptual leadership in dealing with the producers--so long as the US is prepared to operate within the framework of dialogue rather than confrontation.

-- The Japanese are selectively cultivating improved bilateral relationships with the new "middle class" LDCs. Those of special interest are noted above. And insofar as the GOJ comes up with multilateral initiatives, they will presumably offer privileged benefits for their major LDC economic partners--to wit, Prime Minister Miki's interest in a commodity stabilization package with a product list aimed at Southeast Asian countries. With all their LDC economic partners they are accepting the necessity of accommodating various host country strictures, e.g., joint ventures, training of host country nationals, investment in local processing industries, etc.

#### d. The Asian Theater

In Asia some new wrinkles have appeared in Japan's regional policies. These are most clearly discernible in their approaches to the Korean peninsula, post-war Indochina, and ASEAN.

##### 1. Korea

The current drift of GOJ policy in Korea is toward what the Japanese describe as a more "balanced" posture on the peninsula. The Japanese are seeking to sustain close political-economic links with the ROK while expanding their contacts and communication with the North. At present they are experiencing difficulty on both counts, but the effort will continue.

Japan's stake in maintaining close ties with Seoul is self-evident. After the US, the ROK is Japan's largest single trading partner. Their investments in the South exceed \$500 million. Travel and tourism is extensive. Many members of the Japanese establishment maintain intimate connections with key South Korean governmental and

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business leaders. The GOJ professes a major interest in preserving the buffer afforded by a friendly non-communist South Korea linked to the United States.

Japanese interests in improving relations in the North has quickened perceptibly in recent years. Opposition pressures are pushing them in this direction. So, too, are hopes for expanded commerce and emotional reactions to the rough diplomatic tactics which the ROK frequently employs. But basically the GOJ hopes to secure the following advantages from links with the DPRK:

-- Added flexibility to adjust to new developments on the peninsula, particularly changes in US policy.

-- A capacity to influence developments on the peninsula through contacts with both adversaries.

-- Wider international acceptance of the two-Koreas situation, thus increased stability for the status quo.

Japan's search for expanded links with Pyongyang goes back to 1971-72. Since then the GOJ has established an official point of diplomatic contact with the DPRK, i.e. zits Embassy in Moscow. Trade has expanded from \$58 million in 1970 to \$368 million in 1974. The range of political contacts has been extended through members of the Japanese Diet and unofficial visiting delegations-- most recently LDP Diet member Utsunomiya's trip to Pyongyang last summer, and the first all LDP delegation to the North this Fall. At this juncture formal diplomatic relations could probably be quickly established if there were a felt need to formalize existing arrangements. But the Japanese appear to have no specific timetable for normalization.

At the moment the process of expanding quasi-governmental ties with the North confronts several obstacles.

-- North Korea's default on past credits has forced a suspension in Ex-Im loans and has cooled the enthusiasm of the Japanese business community for expanded trade.

-- In the wake of Indochina the GOJ has more forthrightly declared its stake in ROK security and endorsed a continued presence of US troops in the South. For this, and perhaps other reasons, Kim Il-sung has now included abrogation of the US-Japan Mutual Security Treaty as a condition for improved relations with Japan.

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-- The Shosei Maru fishing boat incident--in which several Japanese were killed by North Korean naval action against a Japanese fishing vessel outside Korean territorial waters--stimulated resentment against the North in the Japanese media and the public.

During the past several months GOJ-ROK ties improved perceptibly. A Ministerial Conference was finally held; the GOJ agreed to continue concessional assistance to the ROK economic development program; the Japanese appear prepared to provide major investments in the Yosu petrochemical project.

But now the GOJ may be on more secure political ground to make further gestures to the North. Clearly the consensus supporting such gestures now includes many prominent conservatives within the LDP. This perhaps explains why in recent weeks the official reaction to the Shosei Maru incident was less an expression of public indignation than the search for improved communication. While the government co-sponsored and lobbied for the "friendly resolution" on Korea in the UNGA, this effort was undertaken with a discernible lack of enthusiasm and was accompanied by well publicized hints that Japan was seeking to encourage direct contacts between the US and North Korea. Recently the GOJ liberalized the rules governing travel to North Korea by members of the Chosen Soren (Association for pro-North Korean Residents in Japan) for political purposes.

The constraints on Japanese relations with the North are, of course, substantial--i.e. the reactions of Seoul, the desire to avoid a sharp divergence of US-Japanese approaches, the erratic conduct of Kim Il-sung, factional maneuvering within the LDP. But the Japanese are clearly looking for a more flexible position, and their ability to manage their Korea policy adroitly and in consonance with our interests is limited by a host of political and emotional factors.

## 2. Southeast Asia

The Japanese have moved swiftly to consummate diplomatic ties with Hanoi and to upgrade their relationship with ASEAN member states. Their outlook on regional developments is generally up-beat; they entertain few doubts about their own ability to sustain their economic access to the area; they find Sino-Soviet competition somewhat more restrained than they expected; they anticipate a modestly increased political role for themselves; they are clearly eager to keep us engaged.

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In Indochina the Japanese have established a mission in Hanoi, recognized Phnom Penh, and maintained an Embassy in Vientiane. They have held desultory and unproductive talks with the PRG, but anticipating early unification of Vietnam, are not inclined to pursue them. In Indochina, the GOJ's objectives include keeping the doors open to future economic opportunities, establishing a political presence, and exercising a moderating influence on Hanoi's regional behavior. It remains to be seen whether Tokyo will in fact utilize any political capital on contentious mainland Southeast Asian questions. But their involvement in Indochina is a plus as far as US interests are concerned.

-- They may exercise some moderating influence on Hanoi.

-- They get the burden of requests for economic support from the Indochinese at this time, and that accords well with our interests.

-- They have been scrupulous in debriefing us on their negotiations with the North Vietnamese, and their willingness to raise the MIA issue on our behalf was a fairly strong gesture for the timorous Japanese.

We can expect the Japanese to urge us to normalize relations with Hanoi at an early date; they will support Hanoi's application for UN membership without a link to South Korea's application; they would like to keep us engaged on multilateral economic projects in the area, e.g. Nam Ngum Dam, etc. But none of these issues is of great intrinsic importance; Japanese pressures will not be intense; and occasional policy differences are unlikely to jeopardize our wider relationship.

In the ASEAN countries, the GOJ is eager to intensify its links both multilaterally and bilaterally. Already the GOJ has been upgrading coordination with ASEAN countries on UN issues, e.g. the Korean item. In addition GOJ influence is being brought to bear on some key investment decisions faced by the Japanese business community, e.g., Asahan Aluminum Project in Indonesia.

### 3. A Harder Look at National Security Policy

For years Japan's national security policy has evolved in a unique political environment. Major opposition parties challenge the constitutionality of the Self Defense Forces; the Defense Agency has never enjoyed full Cabinet status;

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public discussion has generally begun with a description of the "limits of defense" not with an examination of security requirements; the media and the political parties have traded in shibboleths rather than serious analysis; despite its formal alliance with the US, the GOJ has enshrouded practical arrangements for security cooperation in secrecy and has consistently been on the defensive about them in the Diet.

In fact the Japanese have formulated an intelligible and coherent security policy out of the following elements: (1) concentration on rapid economic development to provide the sinews of potential military power; (2) maintenance of the nucleus of a technologically-intensive military establishment, modest in size but capable of rapid expansion in an emergency; (3) pursuit of "peace diplomacy" with all potential adversaries; (4) preservation of the US-Japan alliance as a source of insurance. But the concepts underlying Japanese defense policy are not widely understood by the public in Japan, and defense policy has rarely been discussed with objectivity and detachment.

This situation is changing. In the late 1960s and early 1970s, a variety of developments--Japan's economic strength, uncertainties about US policy, improvements in Japan's relations with its Communist neighbors, a sense of heightened nationalism--prompted the search for a somewhat more autonomous Japanese defense posture. But more recent changes in the strategic environment--memories of the 1973 Arab-Israeli War and the oil embargo, the appearance of LDC "resource nationalism," a deceleration in the tempo of East-West detente, the economic slow-down in Japan with corresponding constraints on defense spending, the appearance of expensive and highly sophisticated new military technology, etc.--have underscored to Japanese strategists the extent of their remaining vulnerability, the limited nature of their defense options, and the continuing advantages of close security links with the United States.

In this atmosphere--marked as well by a more sober and unemotional public discussion of security matters -- the GOJ is making some modest efforts to rationalize the structure of its defense and to legitimize expanded defense cooperation with us. While largely unchanged in substance, GOJ policy is a bit less guarded in its public expression.

-- To offset the decline in growth projections, the JDA is seeking to slightly increase the percentage of GNP allocated to defense from about .84% to close to 1%. And they will attempt to divert a somewhat larger portion of defense funds to R&D at the expense of equipment purchases and increases in manpower.

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-- To avoid politically damaging disclosures of clandestine contingency planning between officials and their US counterparts, the GOJ is placing such defense consultations on a formal and publicly authorized basis.

-- To improve their ability to deny any potential adversary access to their territory, the Japanese are concentrating their defense efforts more sharply on strengthening their strategic intelligence gathering system, developing an effective tactical data processing mechanism, improving their capabilities for aerial forward interception; designing an ASW capability to control a limited area or "safety zone" on their maritime periphery, and expanding their arsenal of weaponry to repel aggression--particularly through the acquisition of precision guided munitions for naval and air defense.

-- Japanese defense officials are asserting responsibility for marine transportation of necessary goods and acknowledging publicly in this connection the vital importance of securing two sea lanes each stretching out as far as 1000 miles from Tokyo toward Guam and from Osaka toward Taiwan.

In this setting the atmosphere of US-Japanese defense collaboration has changed marked

-- The Mutual Security Treaty is no longer a contentious issue. Opponents of a Japanese defense build-up regard the MST as a temporary brake on bigger military budgets. Proponents of a build-up hope to secure through retention of the alliance militarily relevant technology, e.g., PGMs. And the Treaty no longer excites opposition from Japan's neighbors--with the exception of North Korea which has no significant constituency in Japan..

-- Base problems are quiescent.

-- Misapprehensions that we hoped to press Japan into the assumption of overseas military security responsibilities have been dispelled.

-- GOJ efforts to improve the quality of their military capabilities rather than expand their size are compatible with our own needs and desires.

The future of security cooperation is less clear. The Japanese are manifestly opposed to joint defense arrangements on the NATO model. While they have taken the initiative to call for expanded cooperation, invited Schlesinger to visit, and proposed higher level defense

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consultations, to date they have fended off efforts to give the alliance a more solid operational military content and to assume a larger share of the burdens of mutual defense. This may be changing.

But if many old issues have been set aside, a few potential problems remain. The GOJ, more conscious of its strength, more jealous of its sovereign prerogatives, and more susceptible to opposition pressures, appears intent on moving gradually toward a security relationship with us which is focused essentially on the defense of Japan and which reduces and gives the GOJ more extensive control over US military activities occurring within its territory.

-- Although the nuclear transit issue has lain dormant for nearly a year, the GOJ--in its responses to Diet interpellations--has removed virtually all remaining ambiguity from the question whether prior consultation is required if our navy vessels carrying nuclear weapons visit Japanese ports. We have no indications that the GOJ intends to ask us whether in fact our vessels are carrying such weapons. Nor is there evidence that they might request prior consultation for US ship visits. But they have stated unequivocally that they would deny any requests for transit of ships carrying nuclear weapons. If accidents should occur, we would bear very heavy political costs--as, of course, would the GOJ.

-- With respect to US use of Japanese bases in Korean contingencies, GOJ spokesmen have been all over the lot. JDA officials have offered firm assurances that we would be allowed free use of our bases in Japan for logistic support. With respect to other missions, the GOJ has drifted back and forth, but the general trend is toward policy declarations much more restrictive than the Sato-Nixon formula of 1969. In any event our ability to use our bases in Japan will be governed by Japanese perceptions of their own interests at the time, and not by the general statements they have previously registered in public.

A number of issues in the nuclear non-proliferation field have recently come together in ways which can hopefully be mutually reinforcing. NPT ratification is on the Diet agenda once again, and the LDP leadership will press for approval. Though far from assured, the prognosis is relatively good, since Japan's lack of ratification is coming to be seen by many Japanese as potentially jeopardizing its ability to obtain commercial nuclear assistance from the US and Western Europe. Japan's participation in

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the London Suppliers' Conference has forced the GOJ to face its newly-emerging responsibility as a commercial supplier. Japan has been constructive throughout this effort, but has taken cautious positions and is insistent upon strict confidentiality--to minimize NPT ratification complications and to avoid being seen by oil producers as associated with a nuclear cartel. Finally, Japan is reluctantly realizing that it may have to play an important role in helping to establish a regional multinational fuel cycle center in East Asia. Although there are many obstacles to overcome, Japan has begun to relate our approaches on this issue to the common security need to prevent Korea and Taiwan from acquiring national plutonium reprocessing plants by offering a multinational alternative.

#### Implications

What are the implications of these trends for Japanese policy and for US-Japanese relations?

1. There is little here to suggest heightened danger of politically assertive--much less militarily expansionist--Japan.

-- Many recent developments have reminded the Japanese of their inherent vulnerability. The more fluid interplay among the major powers re-awakens old fears of diplomatic isolation. The oil crisis convinced most Japanese that the resource-rich continental nations now enjoy a long-term comparative advantage. Fluctuations in US harvests enhance the GOJ's uneasiness with the content of their dependence on imported foodstuffs. JDA efforts to rationalize the existing defense structure have persuaded them that existing constraints--which derive from a slower growth rate, the impact of inflation, rising costs of energy, the public expectations which detente generates, etc.--must be accepted as the parameters for defense planning for some time. All these factors induce caution. They encourage a tous azimuth approach to diplomacy. "Friendly relations with all important nations" is the GOJ watchword.

-- As Japan diversifies its international relationships, it must weigh the impact of its decisions on a wider range of countries. As the scope of its diplomacy grows, the GOJ faces an increasing array of difficult choices--between its interests in the USSR and China, its role in the OECD and its hopes of privileged access to OPEC oil, its links with Asia and its efforts to cultivate resource producers in other Third World areas,

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its stake in cordial relations with the US and its interest in diminishing its dependence on us, etc. Typically the Japanese will attempt to resolve these dilemmas by playing "down the middle," by ducking the controversial issues, by postponing or evading the tough choices. If there is any metaphor that sums up their preferred stance, it is that of "bridge." They will not seek to arbitrate others' differences; that involves costs and risks they prefer to eschew. But they will want to establish links with all parties to those major diplomatic rivalries that affect them. This is not a particularly bold or heroic posture. But it increases their options. And it is consonant with Japanese interests in a period of flux and uncertainty, and perhaps the logical corollary of their renunciation of major military power.

-- The very weakness of the LDP leadership confirms this tendency. Bold and assertive leadership is not in prospect. The secular decline in the LDP's popular base continues. While the Conservatives may be able to forestall sharing power with the opposition for some time yet, their rule is becoming increasingly complicated and cumbersome. The LDP's thin working majority in the Upper House, the nature of the Committee System in the Diet, and Miki's legislative tactics--i.e., his attempt to coopt and "domesticate" the opposition by consulting them on major issues--are all propelling the GOJ toward a pattern of decision-making that accommodates the requirements of a wider coalition. The two most obvious consequences of this have been a leftward drift by the LDP on social policy and more pronounced efforts to stake out an independent stance in the field of foreign policy.

Yet "autonomous" foreign policy initiatives are rarely dramatic or bold. They involve a search for a low common denominator approach.

Thus there is some risk of an uncertain and indecisive Japan which clings to essentially the minimalist policies of the past. Alternatively we could see the emergence of a new type of leadership in Japan which, in its attempt to avoid risks and remain in tune with the prevailing psychology of its constituency, might experiment with a "neutral" or "equidistant" foreign policy and rely on "multilateralism" before the conditions that would support such an experiment exist. Yet while these possibilities cannot be discounted, it is noteworthy that despite its somewhat shaky base, the GOJ has adjusted to the new international political setting quickly, and has staked out defensive positions which make a good deal of sense

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from the standpoint of Japanese interests and which are capable of eliciting rather widespread public support.

2. If boldness and assertiveness are unlikely to mark Japan's style, we can at least anticipate a more determined effort to develop sources of political influence with which to defend their interests in far-flung areas of the world. The doctrine of "separating economics from politics" dies hard. But Japanese officials are aware that the conditions which facilitated their single-minded pursuit of commercial diplomacy--c.g., US ascendancy in Asia, the Bretton Woods system, the docility of the Third World, etc.--are not immutable. They recognize that key international economic issues are being politicized, and that their only effective recourse is to participate in the political process through which they will be resolved.

3. As the GOJ becomes more politically active on a variety of fronts, it will continue to position itself in such a way as to "neutralize" pressures that come from a variety of sources. Typically the Japanese are looking for improved policy defenses. The GOJ's proximate objectives will range from avoiding embroilment in the Sino-Soviet quarrel to preserving some freedom of action to accept or reject US, EC, OPEC, and LDC reform proposals for restructuring the international economic order. But in the process the GOJ also hopes to expand Japanese independence by diversifying their dependence. Like a skilled judo fighter, they will rely more on position and adroitness and subtle movement than on sheer strength.

4. Despite the fact that the Japanese are cultivating a host of new relationships with others, our ability to concert policy with the GOJ does not appear notably diminished; nor does our diplomatic leverage. This is attributable to several factors.

-- By placing our relationship with the Japanese in a wider setting (c.g. Asian quadrilateral, OLCI triangle, CIEC, etc.), we have eliminated the "hot-house" atmosphere which was the legacy of war, occupation, and tight alliance. In the new setting it is easier for Japanese of all persuasions--not to mention Americans--to recognize the broad range of our common interests. These include preservation of freedom of the seas; a relatively open world trading system; a stable monetary order; a moderate degree of rivalry between old adversaries; stability in Korea, Taiwan, and Southeast Asia; a diversification of energy and raw material sources; a muting of the North-South confrontation, and so forth. In addition, we have gradually "multilateralized"

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pressures on Japan for policy adjustments on such potential bilateral issues as fishing rights, trade barriers, exchange rates, etc.

-- In each of the diplomatic settings in which the Japanese are active, we continue to play the critical role. The US-Japan alliance enables the Japanese to avoid choosing between Soviet and Chinese suitors; it enhances the GOJ's bargaining power with both, and each has proved to be tough and tenacious in its dealings with Japan. Within the OECD framework, US initiative and leadership is indispensable to effective cooperation among the industrially advanced--a fact that was not lost on Prime Minister Miki at Rambouillet. On North-South issues, American policies are the key to ameliorating potential confrontations with the LDCs. And the US presence in Asia is essential to the kind of equilibrium which protects vital Japanese interests without the need to abandon the GOJ's postwar experiment with forswearing a major military power role. In the past we consistently sought to nurture Japanese initiative. In the future, the Japanese will be unable to ignore either our greater diplomatic freedom of action or their stake in keeping us constructively engaged on all these fronts in ways which serve their interests. And this will be the basic source of our influence on GOJ policy.

-- Credit for the improved "tone" of our relationship must also go to a growing sensitivity on both sides to the "intangibles," effective governmental efforts to resolve bilateral problems, and larger scale adjustments in US policy that indirectly impinged on our bilateral ties, e.g., the termination of our involvement in Indochina, our effective mediating effort in the Middle East, the introduction of a note of greater flexibility into our public stance on the Korean question, our shift of the style of the North-South debate from confrontation to dialogue, and change in its substance from revolution in DC-LDC ties to reform of those relationships.

Meanwhile the Japanese are crystallizing a deeper consensus on most facets of its foreign policy. While this consensus is facilitated by some adjustments in GOJ policy, the opposition parties have not been impervious to change. With the exception of the Communists, the opposition parties are now displaying increasing acceptance of security arrangements with the US; the media and Diet exhibit a more balanced and restrained tone in attitudes toward China; public discussion of security issues is more unemotional and dispassionate than at any time in recent memory; Japanese attitudes toward the Middle East and other trouble spots is

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less marked by panic or servility--two pervasive features of public reactions to OPEC pressures in 1973/74.

These developments in public attitudes suggest that contemporary policy is less hostage to the volatile and fickle "moods" that so frequently dominated past Diet and press discussions of serious issues. As the GOJ is forced by the weakness of the governing party to consult public opinion with greater care, it is finding these attitudes less doctrinaire and more pragmatic.

5. For the future our main policy task is one of consolidating an already strong relationship, heading off potential irritants in our bilateral relations, and concerting policy with the GOJ on various multilateral fronts.

a. On the economic side we are currently in good shape. In the short term we will want to continue encouraging the GOJ to stimulate its economy recovery more vigorously in order to increase our own export growth and achieve a multiplier effect on the Pacific Basin economy. In the longer term we need to reinforce those voices in Japan calling for stable growth on the order of 6-7% a year.

Slower growth will not in and of itself diminish Japan's competitiveness. On the contrary it provides new incentives for the Japanese to restructure their industry to concentrate more heavily upon information-based, technology-intensive production--i.e. areas in which we historically have enjoyed a comparative advantage.

We can expect some sectoral dislocation problems. Even if Japanese growth rates settle down to 6-7% a year, they will develop at a faster rate than we and the Europeans. Their relative economic position will, therefore, continue to improve. And we can probably expect that the Japanese will continue to move new product lines into American markets where there has not been much import competition in the past. Japan will thus remain the cutting edge of foreign competition in many areas. Hopefully we have learned from the experience with textiles the importance of getting these problems under control before they become politically volatile in both countries.

While much of our consultation with Japan on economic policy has shifted appropriately to multilateral forums, we will need to keep the bilateral consultative machinery well oiled to head off future problems in the trade field. We have not held a cabinet level EconCom

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session in more than two years. 1976 is a bad year for such a meeting, given the political uncertainties in both countries. But we may want to hold sub-Cabinet level consultations with the GOJ to take an across-the-board look at our bilateral economic relations. A primary objective would be to keep the early warning network for problems of this kind geared for action.

Whether or not we follow up the Rambouillet Summit with another heads of government meeting, we should attempt to hold Cabinet-level discussions with those governments at regular intervals to harmonize economic policy--and incidentally tie the Japanese more firmly into this club of the industrial democracies.

b. With respect to security policy we have important opportunities to inject some vitality into cooperative defense arrangements with the Japanese. Slowly but surely the GOJ will be broadening the scope of its future defense options. The essential question is whether it will develop policies that are complementary to our strategy and deployments in the Pacific or not. Clearly the GOJ is eager to preserve a complementary pattern of defense cooperation and to give it new substance. They will be giving us concrete suggestions for additional consultative machinery in the next week or so.

In responding to the new realism evident in Japanese consideration of defense subjects we need to exercise some patience. We can afford to let them set the pace on new cooperative arrangements. Security issues remain a highly flammable substance, the GOJ cannot be pressed into collaborative arrangements they cannot justify to their domestic audience. We must continue to avoid gratuitous public advice to them on the size of their forces and level of defense spending; such advice is generally counterproductive. We must, moreover, develop clearer ideas of our own regarding what we mean when we promote greater defense complementarity. Beyond urging expanded ASW efforts on the GOJ, our exhortations to the Japanese on this subject to date have been largely devoid of any tangible ideas. It is a good time to get our own thoughts in order.

There is one specific issue in the security field that must be kept continuously under review--the nuclear transit question. This is potentially the most disruptive issue in our bilateral relations. And it could prove particularly abrasive if the GOJ should unilaterally extend its territorial waters to 12 miles and apply its three non-nuclear principles to this wider zone.

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The GOJ now maintains in public that it is unaware of US nuclear transit visits, and would refuse permission for such visits if we should request them. Therefore, if current transit practices were publicly exposed in an authoritative manner, the consequences would surely include: (1) the fall of the Japanese government; (2) enhancement of the credibility of those Opposition leaders most hostile to US-Japan defense cooperation; (3) a corresponding loss of credibility by Japanese officials that have defended US-Japanese security cooperation in the past; (4) massive doubts about US respect for basic Japanese principles.

Regrettably, none of the options for dealing with this issue appears desirable and politically manageable. In the light of domestic political trends in Japan it is virtually inconceivable that the GOJ would undertake an effort to mobilize public understanding and support for the proposition that transit does not violate their prohibitions on "introduction" of nuclear weapons into Japan. Some--including Admiral Gayler--suggest we consider removing nuclear weapons from 7th Fleet vessels on grounds that they are of dubious military value, are unlikely to be used in limited conflicts, and are not worth the political costs they impose on some allied relationship. But they have not apparently budged the Navy's position. And there is no apparent disposition to tackle that issue in the Pentagon at the present time. Off-loading weapons prior to port visits to Japan would be operationally difficult, would be financially expensive, and would create undesirable precedents.

The temptation to drift along with our current policy is strong, and under current circumstances that may be the wisest course. We have managed to muddle through this before; pressures on the issue have not developed the momentum some anticipated; public attitudes in Japan are in flux. Yet even if dangers of this blowing up in our faces is relatively remote, the consequences would be so fundamental and adverse, that we should at a minimum:

-- Continue to periodically remind key GOJ officials of the costs and risks of the growing divergence in our public positions on this issue.

-- Undertake to look seriously during the coming year at the Gayler option. Until after the 1976 election no major change in deployments is likely anyway. Prudent planning would suggest a thorough analysis of the consequences of steps--in this case removal of nucs from the 7th Fleet--which political developments may require over the longer term.

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Whether or not Japan completes NPT ratification this Diet session, there is little foreseeable likelihood that the GOJ will decide to develop nuclear weapons  
Longer-term predictions on this question, however, hinge primarily on the real and perceived strength of our mutual security relationship, the US commitment to South Korea, and our overall policy toward Northeast Asia, as well as the security situation in East Asia. Signs of serious deterioration of the current situation on any of these fronts can only have adverse effects on Japan's non-proliferation stance. The key short-term issue is gaining Japan's support as a supplier for our multilateral non-proliferation strategy centering around the London Conference. Diplomatic approaches by the US to reinforce our mutual interest in strengthening international safeguards and in finding ways to deter the spread of national plutonium plants to sensitive countries will be needed.

c. In the political field there are likewise no obvious neuralgic issues at the moment; there are several key areas in which we need to continue to preserve complementary policies.

-- Over the next year or so the most demanding policy challenge may come in concerting our approaches to the Korean problem. The longer term GOJ desire to stake out a more "balanced" Korean policy is well established. The Japanese will want to move gradually toward formal relations with Pyongyang, and would like us to be moving in the same direction. They earnestly hope to avoid, moreover, the embarrassment of winding up on the losing side of another Asian issue in the UNGA, particularly if the lobbying on the Korean item next year should force them to walk the line between our approach and the preferences of their ASEAN friends--with whom they intend to concert their regional policies more closely. And, of course, the GOJ is anxious to ward off the prospect of a North Korean inspired resolution which diminishes the legitimacy of the US presence in Korea, and thus their own indirect involvement in the security of the ROK.

The Japanese still recognize that the Korean problem cannot be managed or resolved without American leadership, money, weapons, and diplomatic initiative. But they also believe that a Japanese role is appropriate, and necessary. They suspect that they cannot count on indefinite American involvement, assume no solution is possible without a resumption of the North-South dialogue, are casting around for ways of fostering that dialogue,

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and are considering, inter alia, the possible utility of a termination of the UNC as a means of avoiding another sterile debate on Korea in the UNGA in 1976.

Herein lies the potential for the divergence of at least tactical approaches to the problem. For while the GOJ sees little scope for their own mediation of North-South differences, they evidently see themselves as a possible "bridge" between the US and DPRK. Quasi-public encouragement of such contacts, however, infuriates the ROK and creates tactical complications for us. We may wind up seeing advantages in unilateral UNC termination, but we will have to take a harder look at the potential risks of this course than the GOJ has undertaken.

There is no magic formula for handling this problem. Failure to consult the GOJ on our moves would be counter-productive. Full and timely consultations, however, does carry with it risks of premature disclosure. With this in mind we might best design any approaches to North Korea so that they can withstand such disclosure.

Needless to add we should continue to remind the Japanese that their stake in Korea is as great or greater than ours; that our presence in the ROK is above all designed to enhance Japan's security; and that our willingness to sustain that presence will be contingent upon evidence of their willingness to assume some of the political burdens of preserving it (i.e., through their public rhetoric and their willingness to maintain compatible diplomatic approaches).

-- On North-South issues we are in pretty good shape given the substantial convergence in our conceptual approach to the problems. On these questions the Japanese will remain somewhat timid allies. Their approach to the Third World will be tactical rather than innovative; their initiatives are unlikely to go beyond rehashes of others' ideas. On the other hand we need not fear Japanese efforts to "outbid" us for LDC favor, and if we consult them closely we can probably sign them up for a substantial share of the costs of our proposals.

Skeptical of many LDC proposals for reordering the international economy, the GOJ nevertheless accepts the concept of export earnings stabilization, is prepared to see a significant expansion in the International Finance Corporation, has long since accommodated the idea of tariff preferences, and recognizes the need to spur agricultural production in the LDCs. The GOJ will be more amenable to

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resource transfers financed by IMF sales of gold or additional SDRs than by budget contributions. They will carefully scrutinize all our proposals to uncover risks and costs. But they also are eager to minimize the dangers of political isolation as the "most reactionary developed country." The prospects for policy coordination are, therefore, quite good.

More difficult policy challenges could arise from (1) the need to avoid excessive competition in our respective efforts to cultivate tighter relations with key LDCs; and (2) the possibility that political developments in the United States could promote backsliding away from the forthcoming positions adopted at the Special Session-- thereby recreating the type of North-South confrontation that puts the Japanese on the spot.

-- We must also continue to concert policy toward Sino-Soviet rivalry, and again prospects are quite good. Our basic objective here is to preserve better relations with all the major powers than any of the others establish between themselves. In that respect while our interests are served by amicable Sino-Japanese ties, there are limits beyond which we would not wish to see their intimacy develop. Residual Sino-Japanese suspicions and conflicting national styles will probably take care of this potential problem. More serious from our standpoint would be a shift of Japanese priorities toward the development of tighter relations with the Soviet Union. While this prospect seems very remote, the Soviets do have some cards to play--e.g., a more flexible stance on the Northern Territories and more generous terms on various Siberian resource projects. Since there is some tradition in Japan for associating themselves with the strongest global power (Britain in the 1890s, Germany in the 1930s, the US in the postwar period), prudence requires that we take special care to preserve at a minimum both the substance and the appearance of strategic parity with the Soviet Union. And we should continue to encourage the Japanese to pursue a policy of detente with the USSR without facilitating Soviet involvement in security arrangements in the Asian/Pacific area.

In short there are relatively few clouds on the US-Japan horizon. Japanese moves toward a more independent posture are quite compatible with policy coordination on the issues of key importance to us. The task at hand is

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essentially one of consolidating a relationship that is now flourishing. Major policy innovations are not called for just now, though we need to be alert to potential problems on the Korean front and should have a hard and thoughtful look at the nuclear transit question.

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