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THE WHITE HOUSE

WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: Luncheon with Prime Minister Noboru Takeshita  
of Japan (U)

PARTICIPANTS: U.S.  
The President  
James A. Baker III, Secretary of State  
Nicholas Brady, Secretary of the Treasury  
Robert Mosbacher, Secretary of Commerce  
Carla A. Hills, United States Trade  
Representative  
John H. Sununu, Chief of Staff  
Brent Scowcroft, Assistant to the President  
for National Security Affairs  
Robert M. Gates, Deputy Assistant to the  
President for National Security Affairs  
Michael Armacost, Under Secretary of State  
for Political Affairs  
Gaston J. Sigur, Assistant Secretary of State  
for East Asian and Pacific Affairs  
James A. Kelly, NSC, Notetaker  
Mrs. Fumiko Gregg, Interpreter

Japan  
Prime Minister Noboru Takeshita  
Sousuke Uno, Foreign Minister  
Tatsuo Murayama, Minister of Finance  
Ambassador Nobuo Matsunaga  
Ichiro Ozawa, Deputy Chief Cabinet Secretary  
Takakasu Kuriyama, Deputy Foreign Minister  
Tatsuo Arima, Director-General for North  
American Affairs, MOFA  
Terusuke Terada, Private Secretary of the  
Prime Minister  
Yukio Okamoto, Director, First North American  
Affairs Bureau, MOFA  
Shinichi Nishimiya, Interpreter

DATE, TIME February 2, 1989, 12:22-1:25 p.m.  
AND PLACE: Family Dining Room, The Residence

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The luncheon began with the President again welcoming the Prime Minister to the White House. The President commented on the departure after a remarkable period of service of Ambassador Mike Mansfield and the presence of his designated successor, Under Secretary Mike Armacost. He appreciated the prompt agreement that had been granted by the Government of Japan, and noted that Ambassador Armacost had worked for many years on problems of Japan and Asia. The President expressed high confidence in Mr. Armacost's ability to do a good job. (U)

The Prime Minister responded that Mr. Armacost's appointment had generated large headlines in Japan and that the reaction was most agreeable. (U)

The President then introduced other Americans at the table, particularly commenting on the experience and background of Secretary Mosbacher and Ambassador Hills. Following these introductions, the President introduced the subject of relations with the Soviet Union. He asked the Prime Minister to express his own views -- whether he was relaxed or tense and how he saw the changes that are developing in the Soviet Union. (S)

Prime Minister Takeshita replied that he was trying to bring President Gorbachev to Japan and that had been the focus of Japanese efforts so far. He noted that Japan had not concluded a peace treaty with the Soviet Union, and that this was an important objective. Foreign Minister Uno had visited the Soviet Union the previous May. With respect to perestroika, the Japanese welcomed this restructuring but had felt little of it so far. The Prime Minister pointed out that it did not seem to be aimed in Japan's direction, even though a breeze seemed to be blowing. He asked Foreign Minister Uno to explain further. (S)

Foreign Minister Uno noted that since 1945 four prime ministers of Japan had visited the Soviet Union, but there had been no equivalent visit from that country to Japan. He said if the Soviets want reductions in tensions and want real progress in the relationship, it is their turn to come to Tokyo. The Soviet Union is an important neighbor with which Japan would like to have improved relations. The first priority is the peace treaty, but to obtain that peace treaty it is necessary for Japan to get back the Northern Territories. Those islands are inherent Japanese territory, the Russians are told this on every occasion. (S)

Foreign Minister Uno continued that in his talks with Foreign Minister Shevardnadze, they had spent hours in reviewing the history of the territorial issue. History books bore out that only during the Stalinist period had the ownership of these

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islands changed hands. As a matter of fact, the Soviet Union had come to the islands after August 15, 1945, even after World War II had been concluded. Uno noted that Shevardnadze's view of history doesn't agree with that of Japan's. Shevardnadze says that the Soviet Union is ending its isolation and he places the emphasis on economic cooperation. He wants the islands forgotten. Uno noted that Japan and the Soviet Union are not unengaged, that talks continue and that at the end of March he expects to have a working group convened at the vice ministerial level. Deputy Foreign Minister Kuriyama will be the interlocutor for the Japanese side. After that, Uno expects to meet Shevardnadze again during May. (§)

Secretary Baker recalled that in an earlier meeting with the Prime Minister on the edges of an OECD meeting, that he had commented that the Soviet request for economic cooperation essentially was dependent on resolution of the Northern Territories issue. He asked if that was still the situation. (§)

The Prime Minister said that it was. (U)

The President commented on the changed public perception of the Soviet Union, particularly noted in Europe. People there seem to be more trusting of Gorbachev, and look at the United States in a less trustful manner. He asked how the Prime Minister saw this with respect to Japan. (§)

Prime Minister Takeshita said that he is aware that an improved mood toward the Soviet Union does exist. But beyond the matter of mood, he felt that perestroika had not changed very much. His impression was that people see Gorbachev as a different person than his predecessors. They are looking carefully, however, to see that the image becomes policy. Takeshita said Japan's private and industrial sector is, of course, very familiar with Siberian interests. But there is a great deal of business uncertainty with respect to actual prospects. There are doubts about investments in a socialist country, doubts about the exchange value of the currency, and concerns for legal rights. As a result, Japanese industry views of business prospects in East Asia are not particularly optimistic. Without even a currency that can be converted, it is not easy to have such a complex relationship and it is a task to improve the situation. (§)

Foreign Minister Uno interjected concerning the Northern Territories. Etorofu, the largest of the islands, is only about the size of Shimane, the prefecture from which Takeshita came. He said Kunishiro, the second island, is somewhat bigger than Okinawa, and the four together are roughly equivalent in size to

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Chiba Prefecture, an area near Tokyo. (U)

President Bush asked about the demographic mix of population on the islands. (U)

After some reflection, Deputy Foreign Minister Kuriyama commented that this consisted of 40,000 Soviet troops. There were 10,000 persons on the islands in 1944, 99% of whom were Japanese. However, with the Russian occupation, all were repatriated to the Japanese mainland, and there are only Russians and Russian troops there now. (S)

Foreign Minister Uno continued vigorously. He noted that in 1855, Japan had much of the Russian Far East, and that an agreement had swapped the Kurile Islands and Sakhalin. The agreement did not include, he pointed out, the Northern Territories. Uno had pointed out to the Soviet leadership that if the present regime of President Gorbachev is critical of Stalinism, that this can be rectified by return of the Northern Territories to Japan. (S)

Prime Minister Takeshita noted that Sino-Soviet relations were also significantly improving but he did not envision anything approaching what had been the relationship of the 1950's. He pointed out that the President knows much more than he does about China and that he believes it is a very good thing that the President is going to China and Korea. The Prime Minister noted that he had traveled to China last summer and he felt that there was a real commitment to economic reform. (S)

The President replied that he appreciated very much the Prime Minister telling him that he approved of the visit to China. The President did not want to send any signal which would diminish the importance of his visit to Japan or affect the solemnity of the occasion. Therefore, he appreciated these remarks. The President continued that he wanted to express the proper respect of the United States and was happy to hear that his visit to China would not detract from that feeling. (S)

The President spoke about China, noting that its reforms cannot and must not be reversed, and that he felt his visit would simply be another point of encouragement to the Chinese. It would be very much against the interests of Japan and the United States if China and the Soviet Union ever returned to the relationship they had in the Khrushchev era, an event he considered most unlikely. He said that China, as the Prime Minister knows, states that its relationship with the Soviet Union will improve, but considers impossible any return to the earlier kind of relationship with the Soviet Union. The President noted that he had no concern for Gorbachev visiting China in May of this year. There was nothing to the detriment to the United States or Japan interests that

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would result from such a visit. (S)

The Prime Minister responded that he very much agreed on China; that among other elements the vast reservoir of overseas Chinese helped to make China much more adaptable to reforms than the USSR, and more adaptable to a market system. But even with that said, there are still very serious problems in moving toward a market economy. For example, inflation has become a most contentious issue in China. (S)

Prime Minister Takeshita said that the President may have heard of his "International Cooperation Initiative" plan for economic cooperation which has three pillars. The Prime Minister described the first pillar as cooperation for peace, including such items as financial contributions to the United Nations for refugee relief, and the use of Japanese nationals as well as financial assistance to facilitate peacekeeping. (S)

The second pillar is cultural cooperation. This reminded him to express deep thanks to the United States for the effort it had made in the past with respect to Fulbright scholarships. The Prime Minister noted that at the Toronto Summit he had been assisted by two senior officials, the Vice Minister of Finance and the Deputy Minister of Foreign Affairs, who was now the Ambassador to Canada. Each had been Fulbright scholars whose work had made the Prime Minister's poor mind "fully bright." The Prime Minister said that there was much more emphasis now in Japan on receiving visiting students, particularly from other Asian countries, including substantial numbers from China. He had seen some last year in the western part of China who were putting their educations to good use. (U)

The third pillar of the International Cooperation Initiative, explained the Prime Minister, is the increase in ODA, or Overseas Development Assistance. He had recently announced a 7.8 per cent increase in the ODA budget as part of the five-year plan which will double the overall budget for ODA to about \$50 billion. Much of the Japanese assistance, said the Prime Minister, had been to countries such as the Philippines and Indonesia, but there is a new effort to reach beyond Asia. He said he would consult closely with the United States on the reach of Japanese financial assistance into Latin America, and into Africa. The Prime Minister saw these efforts as being in return for the assistance that used to be provided to Japan. Now as a creditor nation, certain roles and responsibilities were the kind of thing that a creditor nation must bear. This third pillar of cooperation includes not only direct aid, but recycling of funds from the trade surplus for work on the debt problem, some of which would be touched upon in the G-7 meeting, which was to

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convene later on the same day. Finance Minister Murayama will continue to consult on these questions. (C)

President Bush responded that as he had mentioned previously, the ODA increase is impressive indeed. He well remembered the importance of this announcement when it was made at Toronto at last year's economic summit. But, the President continued, it is critical that much of this aid not be tied to commercial projects where it will not help to resolve the trade imbalances which continue to exist. (C)

The Prime Minister said that the Foreign Minister is looking towards untied aid. As a result, part of such discussions, in areas of the world in which Japan does not have first-hand expertise, would be channeled through multinational organizations. This would help to keep this aid untied. (C)

The President asked the Prime Minister what Latin American countries he expected to visit on his trip later this year. (U)

After much discussion on the Japanese side, the Prime Minister said that Mexico was of particular interest to him, but that the others had not yet been fully decided. (C)

The President said that the Prime Minister's interest in that side of the American border would be very well received. (U)

Prime Minister Takeshita noted that the meeting and lunch had been frank, and were a wonderful exchange of confidences. Various issues had been touched, including Third World debt problems and drugs. It would be a good idea, the Prime Minister said, if the two leaders designated Minister Uno and Secretary Baker to oversee the work of the two governments on these and in various fields. They could pursue new initiatives. (U)

The President said that he agreed. (Note: The context does not suggest agreement to a new or separate framework of talks.) The President continued that this is the first visit of Prime Minister Takeshita to Washington. He hoped he felt the warmth and the importance of this relationship. (U)

Prime Minister Takeshita thanked the President very deeply for inviting him so soon and expressed pride at being so thoughtfully received. He hoped that the President could, before too long, at any time of his choosing, make a state visit to Japan. He officially invited him. (U)

The luncheon concluded and the two leaders moved outside for the departure statements. (U)

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