

DEPARTMENT OF STATE  
ASSISTANT SECRETARY

*Sato Unit*  
35

January 11, 1965

Note to Mr. McGeorge Bundy:

The attached Sato interview in U. S. News and World Report might be as good as all our position papers in giving the President the feel of Sato's thinking and his probable line.

*W.P.B.*

William P. Bundy

Attachment:

Clipping from  
1/11/65 edition.

FE:WPBundy:mk

*W.P.B.*  
*3000*

# JAPAN, THE U.S., AND WAR IN SOUTH VIETNAM—

Interview With Japan's New Prime Minister, Eisaku Sato

Vietnamese war is high on the agenda for President Johnson's January 12 meeting with a key Asian ally—the Prime Minister of Japan.

How does Japan regard the U.S. role in that war? Is it confident U.S. is in Asia to

stay? Does Tokyo agree with Washington on Red China? Communist trade? Other issues?

In this interview, just before his U.S. trip, Prime Minister Sato gives his views to Robert P. Martin of "U.S. News & World Report."

AT TOKYO

**Q** Mr. Prime Minister, will South Vietnam be an important subject during your talks with President Johnson?

**A** Yes, of course. The Government in South Vietnam is not stable. The situation there is in a state of constant flux. What happens there, and its effects on Asia as a whole are of vital interest to Japan.

**Q** Does Japan have a real strategic interest in Vietnam?

**A** Vietnam seems to be far away from Japan. But if we realize the real aim of international Communism—if we realize that what happens in South Vietnam is part of Communism's effort to expand—then it becomes clear that what happens there is important to Japan. Instability in Vietnam will have evil effects on Japan.

**Q** Is Japan required by treaty to help the United States in Vietnam?

**A** Japan is not obligated to help the U.S. in Vietnam. But, in view of the effects the Vietnamese situation is having on peace and safety in the Far East, Japan would like to support U.S. efforts in Vietnam with nonmilitary means.

**Q** What would be the impact on the U.S. position in Asia if American forces were withdrawn from Vietnam?

**A** I don't believe this situation will ever arise. I believe the United States will stay in Vietnam.

**Q** Do you see any possibility of a negotiated settlement?

**A** It would be difficult. Even if the United States should be ready to negotiate, the other side may not respond favorably.

**Q** Can Japan play any role in Vietnam?

**A** There is a provision in our constitution barring rearmament. So we cannot offer military aid. But I shall be happy if we can provide something more than "moral support." I will discuss this with President Johnson.

**Q** Do you mean economic or political support?

**A** There are international organizations like UNICEF [United Nations Children's Fund] and WHO [World Health Organization] operating in Southeast Asia which promote technical assistance. We might be able to play a more active role in these organizations. We dispatched a medical group to



—Wide World Photo

Prime Minister Sato

Vietnam recently and it came back and reported success in its work.

We could help such activities—assistance to the people, under the U.N., to improve living standards.

**Q** How about the United Nations' playing a military or a peacemaking role in Vietnam?

**A** I do not believe the United Nations will play any military role. Under the present circumstances it can only help try to improve the lot of the Vietnamese people.

**Q** Japan trades with Red China and does not play a role in the containment of China. Does this mean there is a divergence between the U.S. and Japan on Red China?

**A** Of course there is a divergence. But you must remember we have been trading with Red China for several years under the principle that politics and economics are separate. There have been no complaints by the United States.

Other American friends—Canada and Australia, for instance—have also been trading with China, selling wheat to the Chinese. All of us, of course, respect the ban on strategic goods, defined by the COCOM list [Co-ordinating Committee under the Mutual Defense Assistance Control Act].

On the question of "containing" China, I do not think this covers all aspects of China's policies, but only military expansion. The U.S. makes efforts to prevent Red China's military expansion into outside areas. Japan co-operates with this policy. We do not want to see China expand militarily.

**Q** Do you think Red China will be more aggressive once she has a stockpile of nuclear arms and a delivery system?

**A** When you think about that point, it is necessary to pay close attention to what steps the international Communist movement may take in the future. But obviously there is every possibility that Red China will become more aggressive once she has nuclear arms. We must watch this with great vigilance.

**Q** Are you suggesting that the split between Russia and China may not be permanent?

**A** The prevalent theory is that the split will continue. But this is only a theory. Both are Communist states. So I do not accept this theory. Right now, of course, the split is

to a large extent a nationalistic conflict. If a crisis came involving either country, they might come back together. Despite their nationalistic disputes, both are members of the Communist camp.

**Q** What steps do you think should be taken by the United States and Japan, once China has a nuclear stockpile and a delivery system?

**A** Obviously it is a serious problem once China has nuclear arms. We hear rumors that China may explode its second bomb in the near future, perhaps next spring. I do not know what action the United States will take then, or when China has a delivery system. As for Japan, you should note that we took China's first test explosion calmly. This was because we have confidence in the U.S.-Japanese security arrangements. We intend to base our defense on these arrangements.

## JAPAN AND NUCLEAR POWER—

**Q** Japan will not build a bomb of her own?

**A** Japan is the only country in the world that has suffered from disasters of atomic bombs. Because of this experience, Japan has declared to the world she will not arm herself with nuclear weapons. I intend to follow this policy.

**Q** Mr. Sato, were you surprised by the lack of violent opposition last autumn to the first visit of a U. S. Navy nuclear-powered submarine to Japan?

**A** In fact, I was disturbed by the amount of opposition that appeared. I was embarrassed by the lack of proper scientific knowledge among the Japanese. As you know, the visits were by nuclear-powered, not nuclear-armed, submarines. Japan's Science and Technology Agency had conducted tests to determine the amount of radiation that would result from such visits. Despite our careful monitoring tests, which made it clear there was no danger, opposition still appeared.

Of course, if the question of nuclear weapons had been involved, the opposition would have been stronger and of a far different quality.

**Q** Does this mean that Japan then will never permit nuclear weapons, controlled by Americans, to be brought here?

**A** This is a very serious problem. I have been thinking about it. This comes under the category, in the security treaty, of an "important question" which requires consultation between the two countries.

Of course, if the U. S. were making any serious changes in its weapons system for the protection of Japan, we would have to be consulted. But I do not see any need to think about this problem now.

**Q** Do you think Red China and Nationalist China can ever simultaneously be members of the U. N.?

**A** Not at the present stage of history. I don't know if it could ever happen in the future.

**Q** Could Japan play a useful role in mediating between Red China and the United States?

**A** I can't see them getting together at the present time. Of course, I cannot say about the future. But it is impossible for the time being for Japan to play any mediating role. If China and the United States were friends, I would be willing to act as a go-between to bring them together. But right now they consciously oppose each other.

**Q** Do you think Communist China will ever be a first-rate industrial power?

**A** Certainly time will be needed before China will ever become a first-class power. Look at the history of both Japan and the Soviet Union: It takes time to build economic power, just as it takes time for a child to grow up into an adult. A country, like a child, has to pass through various stages before it reaches maturity.

**Q** Doesn't Japan's experience since 1945 indicate Red China, too, could industrialize speedily?

**A** Well, don't forget that Japan built up an economic structure long before 1945, during the century after the Meiji restoration. Also, we accomplished our postwar recovery through democratic institutions and free enterprise. This was a framework under which the energy and creativeness of our people were mobilized. I doubt very much that any totalitarian country could do the same thing under similar circumstances.

**Q** Mr. Sato, what are the major problems or issues that may be considered during your visit to Washington?

**A** Politically, the Okinawa and Bonin issues. In the economic field, there is a problem of civil aviation, fisheries, textiles, and the monetary issue involving the interest-equalization tax.

**Q** Is the civil-aviation question important?

**A** There has been great discontent here on these agreements. The agreements signed immediately after the termination of the occupation are considered inequitable.

Japan wants an air route circling the world. To do this, it must have landing rights to fly from San Francisco, or the West Coast, to New York and then on to Europe. This problem has existed for a long time. Of course, an amicable agreement can be reached only through administrative talks, but I hope to facilitate a solution of the problem.

**Q** Does Japan find U. S. restrictions on the flow of capital to Japan burdensome? Aren't these temporary measures?

**A** Yes, the interest-equalization tax is due to expire in 1965. But we are not absolutely certain what the United States will do about this in the future.

Also, remember, Japan plays an important role in international finance. We recently contributed a great deal to support sterling. Perhaps the United States should try to attract overseas capital to America and not just consider the problem of the outflow of capital.

**Q** Do you hope to arrange loans in the United States?

**A** What I have just said does not mean I am going to the United States to borrow money.

**Q** Do you think Japan's economy will keep on growing at the fantastic rate of the past few years?

**A** The situation is somewhat different now than it was during the past few years, when Mr. Ikeda was Prime Minister. It is rather doubtful that the high growth rate can be continued. We have received recommendations that the growth rate should be kept at about 8.1 per cent a year, compared with the average of 9.9 per cent the last 10 years.

**Q** Will you be able to continue the program of doubling the income?

**A** I think so. When the program is completed, Japan's per capita income should be \$579.

## TRADE WITH RED CHINA—

**Q** Will trade with Red China be important in this program?

**A** Our trade with that country will be very slow. It will take at least five years before trade with China represents 3 per cent of our over-all trade.

**Q** Then Red China's trade is not vital to Japan—

**A** Our total trade now is about one third with North America, one third with Asia, and the remainder with Europe, Africa and other areas.

Now, 3 per cent is not very large. Last year, for instance, only 1 per cent of our total exports went to China, and 1.1 per cent of our imports came from China. This year our imports from Red China rose slightly, to 1.9 per cent of our total. That is not very large, and yet 3 per cent of our two-way trade with any single country can be important.

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NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

January 11, 1965

MEMORANDUM FOR MR. BUNDY

SUBJECT: Arrangements for Sato's Meeting with the President

As you know, Sato comes to the White House tomorrow with 5 colleagues plus an interpreter. The U.S. side will be the President plus 5 from State, plus you if you so choose, plus me. This makes a total of 14 for sure and possibly 15 people.

Since the President intends to meet with Sato alone at the beginning, the numbers problem should not be difficult. But I would like to alert State to one decision: who should go in with the President and Sato when they move into the office alone?

Obviously the Japanese interpreter will be essential. In order to have a full U.S. account of what both men say, I would urge that Ed Reischauer also join in this group.

I have tried without success to reach Valenti. Can you give me guidance on this?

  
James C. Thomson, Jr.



THE WHITE HOUSE  
WASHINGTON

January 10, 1965

MEMORANDUM FOR JAMES THOMPSON

Here are my final distillations on the Japanese pieces. Your drafts were very helpful, especially on the welcome. I tried to be a bit more humorous on the toast and may have wandered around on the content. You please review and solicit comments. I am sure the President will want to harden these with some more solid thrusts -- which, frankly, are out of my competence on Japan. Thank you for your cooperation. Gradually, we are getting there. Let me hear from you by noon Monday, if possible.

Horace Busby


9 January

Note for Mr. Bundy:

Here are my revisions of State's draft welcome statement and toast for the Pres.

I passed them on to Busby yesterday, and he is re-working them, also adding some new material I dug out of Reischauer.

Busby's versions go to the President this evening (with copies to me for a final look by State).

  
Jim Thomson

SATO VISIT

January 8, 1965

Revised Draft Arrival Statement for the President

Mr. Prime Minister:

With deep admiration and respect for your people and their heritage, I bid you welcome to the United States of America.

You come to us as our first foreign visitor in a momentous new year, a time of rededication and hope.

You come to us from a region of proud history and immense promise -- the far Western reaches of the Pacific community.

We greet you as a distinguished representative of that vast community.

In honoring you, we pledge anew our commitment to Pacific partnership: partnership in the great tasks of nation-building and international cooperation, in the defense of free nations that seek our assistance, and in the relentless pursuit of peace.

Under conditions of conflict and war, the promise of the Pacific is denied to all its people. But under conditions of peace, that promise is boundless. Mr. Prime Minister, I can assure you that no goal stands higher on our national agenda today than the achievement of a lasting peace with freedom for the nations of the Pacific.

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Most especially, we greet you as the leader of the brave and creative people of Japan.

Our friendship with your nation is deep-rooted and resilient. For more than a century we have weathered the hard times and the good. But our ties of common purpose were never stronger than today.

We Americans are intensely proud of those ties. We are profoundly impressed with the great achievements of the Japanese people over the past two decades: the creation of abundance in a free, dynamic society. Our commitment to peace and to a better life for all men is strengthened by your example and your partnership.

I know that you will be warmly welcomed by all Americans during your visit to our country. And I look forward with special pleasure to our discussions of the problems and opportunities that confront our two nations.

JCThomson:lw



January 8, 1965

SATO VISIT

Revised Draft Toast for the President

Mr. Prime Minister,  
Mr. Foreign Minister,  
Mr. Ambassador,  
Honored Guests:

We welcome tonight to this House of the American people the distinguished new leader of our great ally and partner, the people of Japan.

You come to us, Mr. Prime Minister, in the first days of a New Year, at the mid-point of a decade of immense challenge and promise.

You come to us from a great region where two-thirds of mankind live.

You come to us from a nation whose cultural heritage we deeply admire.

And you come to us at the end of two post-war decades during which your country has accomplished unsurpassed feats of national development.

We honor your successes as a nation, and we cherish your friendship. As we look to the future, we are reassured by the strength and confidence that derives from our partnership with the people of Japan.

With Japan we share today a vital and ever growing partnership in trade. We share as well an intense faith in human inventiveness: in man's ability to make the world a better place through technology, a more beautiful place through the arts, a more rational place through the quest for truth by unfettered minds.

Most important of all, we share a commitment to peace in the Pacific and peace in the wider world.

I can tell you, Mr. Prime Minister, that we Americans continue to marvel at the achievements of the Japanese people.

I share that admiration. You may have noticed, for instance, that in the State of the Union Message I presented to the Congress last week, I urged that we set up a high-speed modern rail service between Washington and Boston. I must confess that this project was directly inspired by the new Tokaido Line you opened a few months ago in Japan. Perhaps what we need now to get things moving here is a team of technical assistance experts from your country.

Three and a half years ago, your predecessor, Prime Minister Ikeda, met with President Kennedy in the first years of their respective administrations. Out of their meeting there grew special committees to stimulate and oversee the bilateral relations between our two countries. I feel sure that this meeting with you,

Mr. Prime Minister, near the beginning of our respective administrations, will further the close cooperation between our two nations in facing together the broader problems of the world.

Let me repeat: we are delighted to have you here. We regard your visit as an auspicious beginning to 1965. We look forward to a deep and abiding relationship with you, with your government, and with the Japanese people.

I ask you to join me in a toast to the Sovereign whose distinguished Prime Minister we warmly welcome this evening. Ladies and Gentlemen, the Emperor of Japan.

JCThomson:lw

AT THE WHITE HOUSE

WITH GEORGE REEDY

JANUARY 9, 1965

3:20 P.M. EST

SATURDAY

MR. REEDY: As you know, the President met with Secretary of State Rusk, Ambassador Reischauer, McGeorge Bundy and Bill Bundy, in regard to the forthcoming meeting with the Japanese Prime Minister.

The Ambassador gave the President a rundown on the current situation in Japan. There was a discussion with all of the people present as to the various items that are to be discussed at the forthcoming meeting. The President is looking forward to a very wide-ranging discussion of the problems the two nations are facing in the modern world.

I don't know much else I can say about it under the circumstances.

Q. How long did this last, George -- couple of hours?

MR. REEDY: No, it didn't last quite that long. I don't know exactly how long it did last but it started a bit late.

Q. George, has the President conferred with Wirtz on the dock strike, or with anybody else?

MR. REEDY: I don't think he has conferred with Wirtz but he is informed of the situation.

Q. Has he taken any action or contemplating any action? The shippers suggested they are going to ask him to.

MR. REEDY: I haven't any action on the agenda right at this moment. If there is any, of course we will announce it.

Q. George, was the bilateral textile agreement one of the things that the President was briefed on? The Prime Minister said he would bring this up before he left Japan.

MR. REEDY: I don't know if that was covered specifically.

Q. What was that, George?

MR. REEDY: I don't know whether that was covered specifically. I wasn't in the meeting.

Q. What are the many problems of the administration vis-a-vis Japan as it faces --

MR. REEDY: I don't think it is quite so much a question of vis-a-vis Japan, Ralph --

Q. Well, I mean the international situation.

MR. REEDY: -- as the fact that you have two nations here which in some respects face somewhat similar problems. You have two industrial nations, both deeply involved in world affairs. I don't think it is quite

MORE



so much a question of vis-a-vis Japan as it is the position that these two nations have in the current world scene.

Q. Do you see any reason for concern over the day's demonstrations in Panama where tear gas was used on demonstrators trying to reach the Canal Zone?

MR. REEDY: I have nothing to say about it, Bob.

Q. Is the President watching this one?

MR. REEDY: The President is always informed in matters involving world affairs.

Q. George, has the President received a request from the shippers to take some action on the strike situation?

MR. REEDY: I know of no such request.

Q. George, could you give us an agenda of any kind which they may be discussing next week?

MR. REEDY: I think at the time of the meeting you will be kept rather fully informed of it. At the present time I don't want to go into an agenda.

Q. Won't they discuss Japanese trade with China as one item?

MR. REEDY: I wouldn't want to single out one item. I would think they would discuss all questions that have importance. Obviously that is an important question.

Q. Is the question Mr. Moore mentioned of significant interest? Can we take it that it will be discussed?

MR. REEDY: Obviously it is an important question and they will discuss all important matters. I don't want to single one out and give the impression that this meeting is being called to discuss that one issue.

Q. Also South Viet-Nam, George?

MR. REEDY: I said they will have a wide-ranging discussion. I don't want to start singling out specific issues and give the impression that is why the meeting is being held.

Q. Do we have a lid, George?

MR. REEDY: Yes.

THE PRESS: Thank you.

END

*Sato*  
*unit* ✓ 39

January 9, 1965

For: Jack Valenti

Subject: Discussion of the Wool Textile Problem with  
Prime Minister Sato

I understand that Senators Pastore, Muskie and Jordan are urging the President to discuss with Prime Minister Sato the question of wool textile imports. Japan, Italy and Great Britain are the major wool textile exporters to the United States. The Senators urge that these three nations meet with the U.S. in an effort to reach an agreement on an appropriate level of exports and imports so that the American industry is not injured.

There has been a significant rise in the level of imports of wool textiles over the past few years so that it now equals 40% of the domestic consumption.

The Japanese firmly oppose any agreement -- indeed they oppose any discussion of any meeting to reach an agreement. This is a highly sensitive issue to them.

I recommend:

1. This item should not be on any formal agenda.
2. In order to satisfy the Senators and the industry it could be raised informally in either of the following ways:
  - a. If Prime Minister Sato gets into a discussion of cotton textile exports you might refer to the similar problem of wool and ask whether we might not include both subjects in a discussion between our technicians.
  - b. At any informal meeting the President might ask the Prime Minister for his views on the textile problem

and whether he felt it might be possible for representatives of the two nations to meet to discuss our national interests in wool textile trade candidly and in the spirit of friendship.

3. Of course, it would be a mistake to get involved in a detailed discussion or to do more than make these casual references.

Myer Feldman

~~SECRET~~

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

January 8, 1965

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MEMORANDUM FOR MR. BUNDY

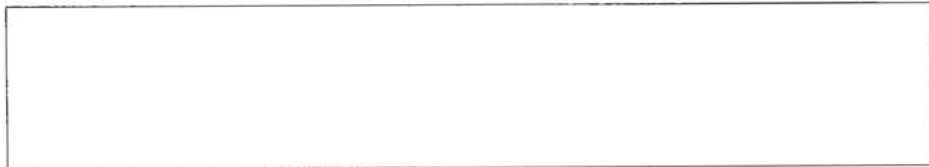
SUBJECT: China Materials for the Sato Visit

You asked for "notes and instruments" to assist your music-making on the proper Presidential response to Sato's expected thrust on the China problem. I am attaching several papers that should meet your need:

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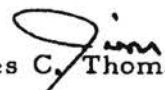
- A Tokyo's 2044: Reischauer's report of Sato's concern, together with Reischauer's recommendations for a "full and frank discussion" (Items 7 through 11).
- B Tokyo's 2032: Reischauer's comments on the problem of Japanese trade with Communist China.

C



- D Two briefing papers from State: on the China problem, and Japanese trade with the Sino-Soviet bloc.
- E A thoughtful memorandum from Lindsey Grant at State discussing tactics on Chirep in the U.N. (I attach this latter item in order to suggest that the issue of continued ChiCom exclusion is not, in the minds of those who ponder it, a very simple one.)

In my view, the President's objective should be to convince Sato that (a) he has thought and is thinking about the China/Taiwan problem, and (b) ~~that~~ he and his associates are willing to take the Japanese into their confidence on tactics and plans as we move through the difficult period ahead.

  
James C. Thomson, Jr.

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By ah NARA, Date 5-28-14





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## SATO VISIT CHINA QUESTION

1. CHINA IS AT TOP OF JAPANESE LIST FOR TALKS BETWEEN PRESIDENT AND PRIMIN SATO. FOR JAPAN NO MATTER OF FOREIGN POLICY IS MORE IMPORTANT, BUT THINKING IS AT PRESENT IN STATE OF CONFUSION AS EXEMPLIFIED BY QUESTION ASKED OF EMBASSY OFFICER BY HIGH RANKING FOREIGN MINISTRY OFFICIAL LAST CFN 2044 122 136 381 28 3PM 1 NO

PAGE 2 RUALOT 374D/1 ~~SECRET~~

WEEK: "CAN YOU TELL ME WHAT MY GOVERNMENT'S POLICY ON CHINA IS?"

2. SINCE PEACE TREATY IN 1952 JAPAN HAS MAINTAINED RECOGNITION OF GRC. WHILE RELATIONS BETWEEN TWO GOVERNMENTS HAVE HAD UPS AND DOWNS, JAPAN HAS CONSISTENTLY AND FIRMLY SUPPORTED GRC IN UN AND OTHER INTERNATIONAL FORUMS AND HAS EMPHASIZED PROMOTION OF FRIENDLY TIES. THIS ATTITUDE OF GOJ HAS BEEN PARTLY BECAUSE OF DESIRE TO GO ALONG WITH US BUT ALSO BECAUSE OF LONG-STANDING ECONOMIC AND EMOTIONAL TIES WITH TAIWAN AND REALIZATION THAT CHICOM TAKEOVER WOULD ADVERSELY AFFECT JAPAN'S OWN SECURITY.

3. AT SAME TIME, STRONG POPULAR DEMANDS HAVE FORCED GOJ TO PERMIT TRADE RELATIONS WITH COMMUNIST CHINA AND 2-WAY CULTURAL EXCHANGE. JAPANESE ATTITUDE IS PARTLY DUE TO DESIRE

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~~SECRET~~

-2- 2044, December 28, 3 p.m. from Tokyo (SECTION I OF II)

FOR PROFITABLE TRADE WITH HUGE NEIGHBOR, BUT ALSO BECAUSE OF TIES OF HISTORY, CULTURE AND FEELING THAT JAPAN OWES ALL CHINESE (REGARDLESS OF REGIME) SOMETHING TO MAKE UP FOR THE AGGRESSIVE WAR BEGUN BY JAPANESE MILITARISTS. THERE IS ALSO SINCERE BELIEF THAT THROUGH FRIENDLY RELATIONS WITH CHICOMS LATTER CAN GRADUALLY BE WON TO LESS INTRANSIGENT POSITION  
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PAGE 3 RUALOT 374D/1-~~SECRET~~  
AND THAT JAPAN MAY HAVE IMPORTANT ROLE IN HELPING CHICOMS AND US TO SOME SORT OF RECONCILIATION.

4. DESPITE CHICOM POSITION THAT TRADE AND POLITICS ARE INSEPARABLE, JAPANESE HAVE STRADDLED INCONSISTENCY OF RECOGNIZING GRC AND TRADING WITH CHICOMS BY MAINTAINING THESE ARE SEPARATE MATTERS AND HAVE IN FACT MANAGED TO DEVELOP TRADE TO MUTUALLY PROFITABLE HIGH LEVEL IN SPITE OF LACK OF DIPLOMATIC RELATIONS. JAPAN HAS BEEN ABLE TO MAINTAIN THIS DELICATE BALANCING ACT BETWEEN TWO GOVERNMENTS, EACH CLAIMING TO REPRESENT ALL OF CHINA, IN LARGE PART BECAUSE OF POSITION OF GRC IN UN AND CHICOMS' RESULTANT LACK OF CACHET OF INTERNATIONAL ACCEPTABILITY. JAPAN HAS MADE SUPPORT OF UN IMPORTANT ELEMENT OF ITS FOREIGN POLICY, AND AS LONG AS CHIREP SITUATION REMAINED FUNDAMENTALLY UNDISTURBED IN UN, JAPAN WAS ABLE TO BRING OFF ITS POLICY OF TRYING TO DEAL WITH BOTH CHINESE GOVERNMENTS.

5. NOW THAT GRC POSITION IN UN APPEARS SERIOUSLY THREATENED AND PROSPECT LOOMS OF CHICOM ADMITTANCE IN NEXT YEAR OR SO, JAPAN FACES SERIOUS PROBLEM BECAUSE PUBLIC DEMAND FOR RECOGNITION OF CHICOMS MIGHT PROVE IRRESISTIBLE IF CHICOM IN  
CFN 4 5

PAGE 4 RUALOT 3(D/1-~~SECRET~~  
UN (OR EVEN IF SERIOUS QUESTIONS ARISE OVER LEGALITY OF GRC RIGHT TO CHINA SEAT). RECOGNITION OF PEIPING BY MANY WESTERN POWERS, INCLUDING SEVERAL OF STAUNCHEST NATO ALLIES, AND INCREASE IN PEIPING'S TRADE WITH WESTERN EUROPE, HAVE ALSO PUT JAPAN IN WHAT GOVERNMENT AND PEOPLE CONSIDER DISADVANTAGEOUS POSITION. JAPANESE FEEL THEIR LONG TERM DESTINY CLOSELY

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-3- 2044, December 28, 3 p.m. from Tokyo (SECTION I OF II)

RELATED TO VAST CHINESE POPULATION AND THAT THEY CANNOT AFFORD TO BE LAST RECOGNIZE COMMUNIST CHINA OR TO END UP ISOLATED (EVEN IF ISOLATION SHARED BY US) WHEN CHIMCOMS HAVE GAINED GENERAL ACCEPTANCE IN SOCIETY OF NATIONS. BOTH FOREIGN MINISTER SHIINA AND FORMER FOREIGN MINISTER OHIRA HAVE INDICATED PUBLICLY THAT JAPAN WOULD HAVE TO CHANGE ITS POLICY OF NON-RECOGNITION OF PEIPING IF CHICOMS ADMITTED TO UN. WHILE THESE STATEMENTS HAVE USUALLY BEEN HEDGED BY CONDITIONS, ANY GREAT CHANGE FOR WORSE IN CHIREP SITUATION WOULD PROBABLY NECESSITATE NEW POLICY ON PART OF JAPAN.

6. WHILE GOJ HAS DECIDED ON NO CLEAR POLICY IN SUCH AN EVENT (LARGELY BECAUSE OF UNCERTAINTY OVER US PLANS), EMB BELIEVES FOLLOWING IS IN GENERAL GOJ THINKING:

A. SINCE COLLAPSE OF CHICOMS MOST UNLIKELY BUT CHICOM  
CFN 6 NO

PAGE 5 RUALOT 374D/1 ~~SECRET~~  
ABSORPTION OF TAIWAN WOULD SERIOUSLY THREATEN JAPANESE INTERESTS, BEST LONG-RANGE SOLUTION OF PROBLEM WOULD BE "ONE CHINA ONE TAIWAN" SITUATION WHICH PEIPING AND TAIPEI WOULD TOLERATE EVEN IF NOT OFFICIALLY ACCEPT. JAPANESE HOPE THAT IF TAIPEI SOFT-PEDALS CLAIM TO REPRESENT ALL CHINA, THIS WOULD ULTIMATELY FORCE CHICOMS TO DROP REQUIREMENT THAT OTHER COUNTRIES RECOGNIZE CHICOM SOVEREIGNTY OVER TAIWAN AND WOULD PROVIDE BEST WAY TO WIN INTERNATIONAL RECOGNITION FOR TAIWAN IN INTERIM. QUESTION IS HOW THIS "BEST LONG RANGE SOLUTION" CAN BE ACHIEVED AND HOW TO HANDLE PROBLEM IN MEANTIME.  
REISCHAUER

~~SECRET~~



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SATO VISIT - CHINA QUESTION

B. IF CHICOMS WIN PLACE IN UN OR LEGALITY OF GRC POSITION  
THERE BECOMES SERIOUSLY COMPROMISED, GOJ WOULD AT MINIMUM  
HAVE TO EXPRESS WILLINGNESS TO RECOGNIZE AND DEAL WITH PEIPING  
AS SOVEREIGN OVER CHINA MAINLAND. GOJ REALIZES IT UNLIKELY  
CHICOMS WOULD AGREE TO DIPLOMATIC RELATIONS WITHOUT JAPAN  
CFN 2044 122 136 381 28 3 B. UN GRC GOJ GOJ

PAGE 2 RUALOT 374D/2 ~~SECRET~~

BREAKING TIES WITH GRC AND RECOGNIZING TAIWAN AS PART OF  
CHICOM TERRITORY. JAPANESE THEREFORE WOULD EXPECT OFFER OF  
RECOGNITION TO BE REFUSED BUT WOULD HOPE THAT IT WOULD EASE  
DOMESTIC PRESSURES FOR RECOGNITION SUFFICIENTLY TO PERMIT  
CONTINUED RIDING OF TWO CHINESE HORSES. CHIEF QUESTION  
HOWEVER, WOULD BE WHAT GRC WOULD DO. IF IT BROKE WITH JAPAN  
BECAUSE OF RECOGNITION OFFER, WHOLE BALANCING ACT WOULD  
COLLAPSE DISASTROUSLY.

C. GOJ HOPES US CAN SOMEHOW PERSUADE GRC TO PERMIT ABOVE  
PLAY AND BEYOND THAT HELP LEAD GRC TO AN ULTIMATE "ONE  
CHINA ONE TAIWAN" SOLUTION. WHILE GOJ FULLY INTENDS SUPPORT  
US ON CHIREP AND IMPORTANT QUESTION IN PRESENT GA, JAPANESE  
FEEL NEW STRATEGY WILL BE NECESSARY BEFORE NEXT GA.

7. EMB RECOMMENDS FULL AND FRANK DISCUSSION WITH SATO ON  
WHOLE PROBLEM. WE RECOGNIZE THAT, IN GENERAL, DISCUSSION  
BY US OF WHAT SHOULD BE DONE IN EVENT CHICOMS ADMITTED TO

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-2-2044, December 28, 3 p.m., from Tokyo

UN IS PSYCHOLOGICALLY BAD, SINCE DISCUSSION ITSELF MAY ERODE DETERMINATION OF OTHERS TO RESIST ENTRY. HOWEVER, THIS ARGUMENT DOES NOT SEEM TO APPLY IN JAPANESE CASE. THEY ARE SOIDLY WITH US IN PRESENT GA, BUT ARE SO SURE THAT PRESENT CFN GRC GRC C. GOJ US GRC GRC GOJ US GA GA 7 US UN NOT US GA

PAGE 3 RUALOT 374D/2 ~~SECRET~~

TACTICS WILL NOT BE VIABLE A YEAR FROM NOW THAT THEY WOULD REGARD OUR REFUSAL TO CONSIDER NEW TACTICS BEFORE THEN. MERELY EVIDENCE THAT WE NOT NOT REALLY TREAT THEM AS PARTNERS. DISCUSSION OF WHAT HAPPENS IF CHICOMS GET INTO UN WOULD HEIGHTEN THEIR REGARD FOR OUR "REALISM/ AND STRENGTHEN RA R THAN WEAKEN CHANCES OF THEIR CONTINUING TO STAY IN STEP WITH US.

8. JAPANESE BELIEVE VOTE ON CHIREP IN CURRENT GA MAY GO EITHER WAY BY A MAJORITY OF ONLY ONE OR TWO. THEY ENVISAGE, HOWEVER, A MARGIN OF 10 TO 16 ON IMPORTANT QUESTION, BUT SEEM TO DOUBT THAT COUNTRIES VOTING FOR IMPORTANT QUESTION BUT ALSO FOR ADMISSION WILL ALLOW "TECHNICAL" DEVICE TO KEEP CHICOMS OUT BEYOND CURRENT SESSION. IF OUR ESTIMATES DIFFER, WE SHOULD EXPLAIN BASIS FULLY LEST JAPANESE BELIEVE WE ARE SIMPLY WHISTLING IN DARK. IF OUR ESTIMATES AGREE WE SHOULD DISCUSS OUR OWN PLANS FRANKLY WITH SATO.

9. EMB ASSUMES IRREDUCIBLE MINIMUM OF OUR POLICY IS TO KEEP TAIWAN OUT OF CHICOM HANDS. JAPAN IS ONLY OTHER MAJOR COUNTRY WHICH IS STRONGLY IN ACCORD WITH US ON THIS. WHILE PUBLIC PRESSURES AND DIFFERENCES IN ATTITUDE TOWARD CONTINENTAL CFN NOT NOT UN US 8 GA 10 16 9 US

PAGE 4 RUALOT 374D/2 ~~SECRET~~

CHINA INDUCE GOJ TO TAKE SOMEWHAT DIFFERENT POSTURE FROM US TOWARD CHICOMS THERE IS BASIC IDENTITY OF INTERESTS AND ATTITUDES REGARDING TAIWAN. WE SHOULD BUILD ON THIS BY COORDINATING OUR LONG-RANGE STRATEGY AS MUCH AS POSSIBLE. THIS WOULD HELP RETAIN JAPANESE CONFIDENCE IN US AND PROBABLY HELP STIMULATE THEIR COOPERATION ON OTHER ASPECTS OF THE CHINA PROBLEM (SUCH AS TRADE CREDIT, AND MILITARY CONTAINMENT).

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-3-2044, December 28, 3 p.m., from Tokyo

10. IF WE FAIL TO HELP JAPANESE PLAN FOR SONTINGENCY OF LOSS OF VOTE FOR GRC SEAT IN UN WE RUN GRAVE DANGER THAT GOJ WILL BE UNPREPARED TO RESIST PUBLIC PRESSURE FOR RECOGNITION OF PEIPING REGARDLESS OF TERMS OR WILL FAIL IN STRATEGY OUTLINED IN GB AND AS RESULT FACE SERIOUS DOMESTIC POLITICAL REPERCUSSIONS AND POSSIBLY BE FORCED TO RECOGNIZE PEIPING ON LATTER'S TERMS. SUCH SITUATION COULD LEAD TO RUPTURE OF TAIWAN-JAPANESE TRADE, WHICH WOULD BE SERIOUS BLOW TO TAIWAN AND COULD HAVE VERY ADVERSE INFLUENCE ON MORALE OF NATIVE FORMOSANS. DIVERGENCE OF JAPAN FROM US ON TAIWAN POLICY MIGHT ALSO ENCOURAGE JAPANESE DIVERGE ON OTHER POLICIES TOO SUCH AS MUTUAL DEFENSE, OKINAWA, KOREA, SEASIA).  
CFN GOJ US US 10 GRC UN GOJ GB US

PAGE 5 RUALOT 374D/2-~~SECRET~~

11. EMB RECOGNIZES THAT SATO TALKS IN WASHINGTON DO NOT AFFORD ADEQUATE TIME FOR DEVELOPMENT OF REALISTIC AND HELPFUL POSITION FOR JAPAN TO TAKE IN CASE OF DETERIORATION OF CHIREP SITUATION, BUT WE FEEL THAT WE SHOULD BE PREPARED TO PROMISE EARLY DISCUSSIONS OF PROBLEM AND SHOULD START PREPARATIONS FOR THEM.

GP-2. REISCHAUER

BT

CFN 11 NOT GP-2

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12/24/64, 8 p.m. RE  
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FROM: TOKYO CORRECTED PAGES 1 AND 2

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SUBJECT: SATO VISIT - CHICOM TRADE

TRADE WITH COMMUNIST CHINA IS AN AREA OF DIFFICULTY IN OUR RELATIONS WITH JAPAN AS WELL AS WITH OUR EUROPEAN ALLIES.. IN TOKYO, WE HAVE CONSTANTLY EXPRESSED US VIEWS ON THE SUBJECT, WHILE RECOGNIZING THAT THE PROBLEM IS ONE THE JAPANESE MUST HANDLE IN ACCORDANCE WITH THEIR OWN INTERESTS. THIS APPROACH HAS BEEN BASED IN PART ON OUR ASSUMPTION THAT BUILT-IN LIMITATIONS WOULD PREVENT THE TRADE FROM BECOMING TOO SIGNIFICANT POLITICALLY OR ECONOMICALLY. WHILE WE THINK THIS ASSUMPTION IS STILL BASICALLY CORRECT WITH RESPECT TO TRADE PER SE, GROWING FLUIDITY OF SITUATION REGARDING CHICOM ENTRY INTO UN AND RESULTANT PINCH ON JAPANESE-GRC RELATIONS HEIGHTENS DANGERS OF DIRECT GOVERNMENT INVOLVEMENT IN TRADE AND PARTICULARLY IN EXTENSION OF CREDIT.

PARTIALLY IN DEFERENCE TO US POLICY AND TO THE POSITIONS OF ITS ASIAN NEIGHBORS GRC AND SOUTH KOREA, GOJ HAS IN THE PAST PLAYED A RELATIVELY PASSIVE ROLE IN CHICOM TRADE. HOWEVER, WITHIN INTERESTED TRADE AND GOVERNMENT CIRCLES, THERE NOW APPEARS TO BE A GROWING ACCEPTANCE OF THE PROPOSITION THAT JAPAN'S TRADE WITH COMMUNIST CHINA HAS REACHED A "TURNING POINT" AND THAT MORE ACTIVE GOJ SUPPORT WOULD BE DESIRABLE. BEHIND THIS FEELING IS ASSUMPTION THAT DAM IN UN AGAINST CHICOM MEMBERSHIP IS ABOUT TO GIVE WAY. IT IS ALSO ARGUED THAT CHICOM TRADE HAS REACHED SUCH A LEVEL AS TO NECESSITATE GOVT PROTECTION AND GUARANTEES, THAT FURTHER EXPANSION CANNOT TAKE PLACE UNLESS THE GOVT SUPPLIES MORE CREDIT RESOURCES, AND THAT JAPAN'S POSITION IN THE MAINLAND CHINA MARKET IS

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By us, NARA, Date 12-1-04

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-2- 2032, DECEMBER 24, 1 PM FROM TOKYO - CORRECTED PAGE 2.

ENDANGERED BY INCREASED COMPETITION FROM WEST EUROPEAN NATIONS. WHILE THE SATO GOVT HAS NOT REACHED ANY FINAL POLICY POSITION, THERE IS REASON TO THINK THAT IT MIGHT RESPOND TO SUCH ARGUMENTATION AND DECIDE TO PLAY A MORE ACTIVE ROLE IN THE TRADE RELATIONS BETWEEN THE TWO COUNTRIES.

OUR GREATEST CONCERN IS THE POSSIBILITY THAT THE GOJ MIGHT DECIDE TO PROVIDE MORE EXTENSIVE AND MORE FAVORABLE GOVT FINANCING FOR EXPORTS TO COMMUNIST CHINA, ESPECIALLY FOR EXPORTS OF PLANTS AND HEAVY EQUIPMENT. THIS WOULD REMOVE AN IMPORTANT LIMITATION ON JAPAN-COMMUNIST CHINA TRADE. FURTHERMORE, IT WOULD REPRESENT AN INCREASED DRAIN ON THE ALREADY LIMITED CREDIT RESOURCES OF JAPAN AT A TIME WHEN THERE IS A GROWING NEED TO ASSIST THE LDC'S. OF PERHAPS GREATER IMPORTANCE IS THE STRAIN WHICH WOULD ENSUE IN JAPAN'S RELATIONS WITH THE GRC AND SOUTH KOREA. A CASE IN POINT IS THE SECOND VINYLON PLANT EXPORT TO COMMUNIST CHINA ON WHICH A DECISION HAS BEEN PENDING FOR THE LAST YEAR. THE MAJOR DETERRENT TO GOJ PARTICIPATION IN THIS TRANSACTION HAS BEEN THE "YOSHIDA LETTER" TO GRC WHICH IN EFFECT COMMITTED THE GOJ FOR AT LEAST A TEMPORARY PERIOD NOT TO FURNISH GOVT FINANCING FOR PLANT EXPORTS TO COMMUNIST CHINA. NOW, HOWEVER, THE GOJ MAY CONCLUDE IT HAS FULFILLED THIS COMMITMENT AND BECAUSE OF STRONG PRESSURE WITHIN JAPAN AS WELL AS FROM CHICOMS FOR APPROVAL OF THIS TRANSACTION, IT IS VERY POSSIBLE THAT IN EARLY 1965 THE GOJ WILL AUTHORIZE THE EXPORT-IMPORT BANK TO PARTICIPATE DIRECTLY OR INDIRECTLY IN THE FINANCING OF THIS PLANT. THIS COULD ESTABLISH A PATTERN FOR FUTURE MAJOR EXPORTS TO COMMUNIST CHINA. EVEN NOW THE GOJ SEEMS TO HAVE FLOATED SOME TRIAL BALLOONS ON POSSIBLE WAYS TO FINANCE CURRENT TRADE WITH THE CHICOMS, E.G., DISCOUNTING OF COMMERCIAL PAPER BY EX-IM BANK, AGAINST WHICH, ACCORDING TO THE PRESS, THE GRC HAS PROTESTED.

WE THEREFORE THINK IT TIMELY AND APPROPRIATE TO DISCUSS SUBJECT WITH SATO AND IMPRESS UPON HIM THE IMPORTANCE WE ATTACH TO THE GOJ CONTINUING TO LIMIT ITS ROLE IN ECONOMIC RELATIONS WITH COMMUNIST CHINA, AND SPECIFICALLY TO THE QUESTION OF

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-3-2032, DECEMBER 24, 1 PM FROM TOKYO

QUESTION OF CREDITS TO FINANCE MAJOR EXPORTS TO COMMUNIST CHINA. SUCH DISCUSSION SHOULD OF COURSE BE GEARED IN WITH DISCUSSION OF WHOLE CHICOM POLICY, ON WHICH EMBASSY VIEWS WILL FOLLOW IN SEPARATE TELEGRAM.

GP-3.

REISCHAUER

HC

~~\*AS RECEIVED. CORRECTION TO FOLLOW.~~

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SAT/B-13  
January 5, 1965

VISIT OF PRIME MINISTER SATO  
January 11-14, 1965

Background Paper

CHINA PROBLEM

DECLASSIFIED  
E.O. 12958, Sec. 3.6  
NLJ 98-156  
By is, NARA Date 3-15-99

a. Policies toward Communist China

Japan for some years has based its policies toward Communist China on the "separation of politics and economics." It has a significant and rapidly expanding trade with mainland China which amounts to roughly 2 percent of Japan's total trade. Japan also has wide unofficial contacts with the Chinese Communists. Politicians of all persuasions, businessmen, scientists and others commute regularly between Tokyo and Peiping, and arrangements that have the informal approval of the Japanese Government allow the permanent stationing of trade offices and reporters in the respective capitals. As a result of a complex of causes related to Japan's historical and cultural ties with China, feelings of war guilt, and naivete concerning Communist methods and aggressive aims, most Japanese regard Chinese Communism as a transitory phenomenon in China's long history and hope for some accommodation with mainland China which will speed the process of development toward a more acceptable regime. However, the Japanese Government has consistently refused to bow to Peiping's political pressures and is alert to the threat that Chinese Communist policies pose to Taiwan and other Free Asian countries.

The United States on the other hand bases its policies toward Peiping on the need to check Chinese Communist power and protect the security interests of the Free World in the Far East against Peiping's aggressive policies. Japan does not wholly share our concern with the security aspect of the

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China problem, in part because it has not had to face up to the implications of Communist China's policies as a result of the protection of U.S.-Japan security arrangements. Nonetheless, we expect Japan generally to continue to support us, at least over the near term, on such crucial matters as Chinese representation in the UN, support for Taiwan's integrity, and COCOM restrictions. At the same time the Japanese will be more sensitive than ever to any signs of change on our part, and will be quick to react to any further major shifts in the international situation eroding the long-range viability of American and Japanese policies. We therefore favor the closest possible consultation with the Japanese Government on the China question.

There are indications that the Chinese Communists have elected to follow a course of pressuring the Sato Government rather than attempting to conciliate the Japanese as they did in Prime Minister Ikeda's day. By adopting a tough line the Communists may hope to cause various elements in Japan which favor a softer policy toward Peiping to bring concerted pressure to bear on Sato. This tactic has backfired in the past. If the Chinese Communists use it again, the reaction in Japan might give Sato an opening to adopt a stronger policy, and to take steps to slow Japan's drift toward accommodation with Communist China, if he should choose to do so.

The recent Chinese Communist explosion of a nuclear device has caused some uneasiness in the Japanese Government over its psychological impact and long-run implications for Japan's security. Over the short run, the Japanese consider the U.S. nuclear deterrent adequate to protect them from any military threat from the China mainland. There are reports that Sato feels Japan should undertake some spectacular scientific program as a means of asserting scientific and technological superiority over Communist China. We favor giving Japan assistance in the satellite field, if asked (see Background Paper , "Japanese Space Effort"), as a means of channeling into constructive lines Japan's ambition to demonstrate its scientific prowess.

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b. Policies toward Nationalist China

The leadership of the ruling Japanese Liberal Democratic Party, as well as most Japanese officials concerned with military and international affairs, consider that Japan's security interests require that Taiwan not become part of mainland China. Foreign Minister Shiina emphasized Japan's commitment to Taiwan's independence of Chinese Communist control in a recent conversation with Secretary Rusk.

While Japanese trade with Taiwan is considerable (\$125 million in 1963 with a probable 30 percent increase for 1964), Japan has regained about the same level of trade with mainland China. More important, most Japanese are convinced that the potential for trade with mainland China far exceeds that for trade with Taiwan; this affects business pressures and political attitudes. The Japanese Government therefore has not permitted its relations with the GRC and the U.S. or its apprehensions about Chinese Communist policies to block the general trend toward expansion of trade with Communist China. A year ago there was serious friction between the Republic of China and Japan over increased Japanese trade and other contacts with Peiping, but as a result of efforts on both sides relations have recently improved.

The GRC has also been concerned about the general attraction which Japan has for Taiwanese. Despite the inferior political, social, and economic position they occupied during the Japanese administration (1895-1945), many older Taiwanese have a nostalgic feeling for Japanese culture and for the "good old days" before the arrival of the mainland Chinese on Taiwan after World War II. GRC security authorities are conscious that some Taiwanese dissidents have found refuge in Japan. The resulting wariness of Japanese influence in Taiwan has led the GRC at times to discourage Japanese investment. On the other hand, the GRC understands that greater Japanese economic commitment to Taiwan will lessen the attraction of the mainland China market.

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Relations between the GRC and Japan should remain good under the Sato Government, since Sato is predisposed to carry forward the broad outlines of Japan's China policy in cooperation with Taipei and Washington as long as the domestic situation in Japan and developments on the international scene permit him to do so. According to a responsible Japanese Foreign Ministry official, the GRC is convinced of Prime Minister Sato's friendly attitude, while the Chinese Communists are persuaded that Sato is basically hostile to them, impressions which this official states are correct.

The GRC agrees with the U.S. in favoring normalization of relations between Japan and Korea, and has sought to encourage this. The GRC also would like to see an alliance of East Asian anti-Communist nations including Japan. Japan is generally negative to this idea, which runs counter to deeply ingrained feelings against military involvements abroad.

c. Chinese Representation in the UN

Foreign Minister Shiina recently told Secretary Rusk that Japanese policy on Chinese representation is "fixed", and that Japan would continue to support us on the issue. This support includes joining us in opposing the seating of Peiping in the General Assembly in place of the GRC and in upholding the important question resolution. The chief present difference between U.S. and Japanese policies on this issue is that, while we act and speak largely in opposition to Communist China, Japan must couch the public justification for its actions in terms of support for Taiwan. The Japanese feel strongly that, even if Peiping should be voted into the United Nations, this should not be done at the expense of ousting Taiwan.

The Japanese Talking Paper entitled "The Problem of China in the United Nations", presented to the U.S. in connection with Sato's Washington visit confirms the above. The Talking Paper criticizes as premature the "one China, one Taiwan" formula under consideration by Canada and other countries as a means of safeguarding Taiwan's status in the event of Communist China's entry into the UN. Nevertheless, it acknowledges the desirability of an

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eventual solution which adjusts to the "reality" of the "one China, one Taiwan". Japan recognizes the difficulties the opposition of both Peiping and Taipei pose for any arrangement which would provide for UN membership for both Communist China and Taiwan. The Japanese believe, however, that the issue must be faced, and fairly soon.

The Talking Paper calls for close contact and communication between Japan and the U.S. on Chinese representation with a view to developing tactics for the evolution of a "one China, one Taiwan" arrangement at a future time. The Japanese believe that we will be able to sustain our position in the current General Assembly, but they question whether our usual tactics will be viable next time.

If Communist China is admitted to the UN, public pressures in Japan will build up for the diplomatic recognition of the Peiping regime, and it will be extremely difficult for the Japanese Government to resist this demand. At the moment, the Japanese Government appears undecided how to cope with this eventuality. Government officials are probably thinking in terms of fending off Peiping's admission to the UN through some "one China, one Taiwan" scheme which they would hope Peiping might turn down, but Washington might persuade Taipei to accept.

We believe we should be as frank and forthcoming as possible in carrying forward our discussions with the Japanese, and that it is very important that the U.S. make no change in its tactics on Chinese representation without consulting them. At the same time, consultations with Japan about Chinese representation tactics present a very delicate problem. In the interests of our bilateral relations with the Republic of China, we cannot discuss our future plans in this field with other countries until we have first discussed them with, and obtained the acquiescence of, Taipei.

Drafted by: FE/EA-Mr. Bennett  
                  Mr. Mehlert  
                  Mr. Collins  
                  FE/ACA-Mr. Dean  
                  FE/RA-Miss McNutt

Cleared by: EA-Mr. Fearey  
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S/S-S:DTChristensen, Room 7237, Ext. 4154



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E.O. 12356, Sec. 3.4  
NJ 92-132  
By jw, NARA, Date 7-16-92

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SAT/B-17  
January 6, 1965

VISIT OF PRIME MINISTER SATO  
January 11-14, 1965

Background Paper

Japanese Trade with the Sino-Soviet Bloc,  
including Cuba

Pattern of Bloc Trade

The Japanese Government is under heavy domestic pressure to expand exports to the Bloc countries, particularly to Communist China, by extending credit on terms at least as favorable as those offered by Western European competitors. Until 1964 Japan's trade with the Bloc remained at a fairly constant level, accounting for only about 4 percent of its total trade in 1962 and 1963. In the first nine months of 1964, however, its Bloc trade rose to over 6 percent of its total foreign trade. Japan's ratio of Bloc trade is about the same as for comparable industrial nations in Western Europe. The average of all countries of Western Europe in 1963 was about 5 percent, with Italy averaging over 6 percent, the United Kingdom about 4 percent, West Germany 5 percent, and France a little less than 4 percent.

Within its Bloc trade sector, Japan's trade with the USSR has been the most important, comprising over 61 percent of Japan's Bloc trade in 1962 but, although showing an absolute increase, dropping to about 44 percent in 1964. The decline in the proportion of Soviet trade has been balanced by a similar rise in the proportion of trade with Communist China from 17.4 percent in 1962 to a rate of nearly 34 percent in 1964. There was also a sharp increase in Japan's trade with

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Cuba during the first nine months of 1964, primarily because of Japan's sugar requirements and its desire to balance purchases of sugar with increased exports to Cuba. The pattern of Japan's trade with Bloc countries has generally been the export of finished goods in exchange for raw materials.

#### Control of Exports to the Bloc

Japan has been a member of COCOM since 1952 and has abided by its regulations, although its cooperation in the embargo of strategic goods has been motivated more by a spirit of cooperation with the U.S. than an independent conviction that such restrictions were essential. The Japanese trading community generally would favor an easing of the COCOM restrictions. The pressure on the Japanese Government is particularly strong for expanded trade with Communist China, where Japan has traditional cultural and economic ties. Japan's geographic position also contributes to a general conviction among Japanese businessmen that Japan cannot afford to permit European countries to get ahead of Japan in the mainland China trade. Japan's domestic pressures make Government cooperation with the U.S. increasingly difficult.

#### Economic Denial Policies against Cuba

Over the past year several representations have been made to the Japanese Government in an effort to maximize Japanese cooperation with our policies of economic denial against Cuba. The Government has been reasonably cooperative and responsive to our appeals, but there are limits to its ability to cooperate in Cuban policy. It possesses no legal authority to prevent exports of non-strategic goods to Cuba. It maintains diplomatic relations with Cuba and has an agreement on commerce which provides for most favored

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nation treatment. Economically, Japan cannot readily dispense with imports of Cuban sugar, although we have suggested to the Japanese Government that with the easing of the world sugar market it might advantageously look elsewhere for much of its sugar requirements. Despite these problems, however, Japan has discouraged Japanese exporters from shipping items on a confidential list of strategic goods furnished by the U.S.

#### Credits for the Bloc

The question of credits is a difficult one for the Japanese Government because of domestic pressures to maintain a bloc trade position that is competitive with Western European traders. Although Japan is not a member of NATO or the Berne Union, it adhered to the Berne five-year limit on credits to the Bloc until September 2, 1964, when the Government decided to approve an eight-year credit for the sale of a \$9.1 million urea plant to the USSR. Japan's decision, which was conditioned on government financing for only the first five years of the loan, preceded by a few days the United Kingdom's guarantee of a 15-year credit for the sale of a polyester fiber plant to the USSR. In August 1963, Japan approved the sale of a \$20 million vinylon plant to Communist China to be financed by a five-year Japanese Export-Import Bank credit. The U.S. expressed concern about the credit but did not make a formal protest.

The attached table shows Japan's total trade with Communist Bloc countries, including Cuba, in 1962, 1963, and the first nine months of 1964.

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Drafted by: FE/EA/J-Mr. Petree  
Mr. Woodbury

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E:MDC-Mr. Wright  
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Table I. Japan's Trade with All Communist Areas  
1962 - 1963 - Jan/Sept. 1964  
(In \$US millions)

	1962			1963			1964 (Jan. - Sept.)		
	Trade	Percent of Bloc Trade	Percent of Japan's Trade with the World	Trade	Percent of Bloc Trade	Percent of Japan's Trade with the World	Trade	Percent of Bloc Trade	Percent of Japan's Trade with the World
<u>All Communist Areas</u>	<u>485.6</u>	<u>100.0</u>	<u>4.61</u>	<u>552.5</u>	<u>100.0</u>	<u>4.56</u>	<u>651.5</u>	<u>100.0</u>	<u>6.17</u>
<u>USSR</u>	296.6	61.1	2.81	320.1	57.9	2.63	290.7	44.6	2.76
<u>Communist Asia</u>	110.6	22.7	1.05	167.0	30.2	1.37	251.5	38.7	2.39
Communist China	(84.5)	(17.4)	(0.80)	(137.0)	(24.8)	(1.13)	(218.6)	(33.6)	(2.07)
North Korea	(9.3)	(1.9)	(0.09)	(14.8)	(2.7)	(0.12)	(24.0)	(3.7)	(0.23)
North Vietnam	(16.6)	(3.4)	(0.16)	(14.6)	(2.6)	(0.12)	(8.9)	(1.3)	(0.08)
Mongolia	(0.2)	(insig)	(insig)	(0.6)	(0.1)	(insig)	(0.7)	(0.1)	(insig)
<u>Eastern Europe</u>	32.4	6.6	0.31	39.5	7.2	0.32	44.3	6.8	(0.2)
<u>Cuba</u>	46.4	9.6	0.44	29.7	4.7	0.24	64.2	9.8	0.61

Differences are due to rounding.

Source: Derived from Japanese Customs Statistics.



UNITED STATES GOVERNMENT

# Memorandum

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*Jim Thomson*  
Return to J. Thomson  
This document consists of 4 pp.  
No. 3 of 5 copies, Series #. 8

DATE: December 11, 1964 40-5

TO : FE - Mr. Green

FROM : ACA - Lindsey Grant *lh*

SUBJECT: Tactics on Chirep in the UN

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NIJ 92-133  
By *ju*, NARA, Date 7-16-92

REF: My Memorandum December 8; Your Memorandum to Mr. Bundy December 9

I should spell out my proposal on Chirep tactics more fully.

The basic contradiction in our present course is that we are heading toward an anticipated defeat in the 20th UNGA, yet by our behavior are magnifying the apparent scale of that defeat, and at the same time making it more likely.

Let us sort out our purposes:

- a) The USG would rather not have the Chicoms in the UN at this juncture.
- b) We would like to save a place for the GRC in the UN.
- c) In the face of an anticipated breakdown in a long-standing US policy, we wish to minimize the damage to our larger purposes.

— and the problems we face:

- a) Only a minority of UN members agree with us on (a) above.
- e) International sentiment to protect the GRC's position — (b) above — may be waning.
- f) The GRC may not be willing to save its own UN position.

— and some factors working for us:

- g) The Chicoms have announced that they will not come in while the GRC remains in any UN organs.
- h) Others are more likely to agree with us that this is an "important question" than to agree on substance.

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- i) There remains much latent sympathy for saving the GRC a place, though this is increasingly being couched in terms ("one China, one Taiwan") which would in fact force the GRC to withdraw.
- j) Tactically, we are on the inside track, i.e. it will require a majority to change the present arrangements, and we have the Security Council veto further to stall a change.

No tactic presently in sight is likely permanently to save all three objectives -- (a), (b) and (c) above -- for us. My October recommendation (universalism) was intended to save (b) and (c) at the expense of (a), and to be a permanent solution to this and several other problems. The Department quite apparently is not yet willing to make that sacrifice (even though we realize it may be forced upon us). If then we feel it necessary to fight a continuing rearguard action against Chicom entry, how do we best pursue all three objectives without totally isolating ourselves?

First, we must see how far the GRC will play along. This process has begun. I would suggest a high-level meeting with President Chiang, but only after the Article 19 controversy has been clarified. If he thinks that the UN will founder on Article 19, he will be inclined to help its demise rather than to make compromises to stay in it. If he elects not to play along, we can thenceforth pursue objectives (a) and (c), and use the GRC's continued presence simply as a tool to those ends.

Second, we should be franker with our friends about our objectives, the problems, and our contingency planning. This would enable us to nurture rather than to trample upon "two Chinas" sentiment. If we are to save a place for the GRC, it will only be by coalescing two groups presently working at cross purposes: the "two China" advocates (and their variants); and the pro-GRC group. Right now, when our friends breathe of two Chinas, we treat it almost as lese majeste, and thereby miss the chance to shape their ideas into something which we and the GRC could accept. Might it not, for example, be wise to accept the fact of present Canadian thinking, and shape it toward the right resolution at the right time? FE has already agreed that we should move towards "two Chinas." Our present behavior is hindering rather than advancing the development of "two China" sentiment.

Third, we should stop hammering so hard at trying to make others agree with us on the importance of excluding Communist China. At this stage, attitudes are frozen, and we are not making converts on the substance of the issue. We should still make the arguments, of course, both to educate others and to explain our own attitude. We should not try to demand that our friends agree with us, however. Rather, we should play upon issues for which they have some sympathy: the position of the GRC and the presumption that this is indeed an important question. If necessary, we should indicate a willingness

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to go to a Study Committee after the vote in the 19th GA to consider the substance. (With luck, such a Study Committee might come up both with "two Chinas" and with the conclusion that it is indeed an "important question.")

It is usually argued that any signs of flexibility would lose us votes. I think that that argument is dated. The world knows that many of our friends are planning to leave us on this issue, and the question is: On what terms? I think that we can win as many votes this year by reasonableness as through bluster, and that we may thereby save some leverage to influence the direction of change. The Canadian view reported in USUN 2028 may not be all bluff. We may underestimate the antagonisms which we are generating by our present line.

Fourth, let us disengage the substance from the "important question". We expect to lose fairly soon on substance -- concerning Chicom entry. For a time we can probably get a majority vote for "two Chinas." This would kill any hostile proposal and would leave the GRC in possession of the field. We probably cannot get two thirds for "two Chinas", and thus we are unlikely to get a resolution which would wire the GRC into its UN seat.

The voting support for "two Chinas" will probably wane, perhaps quite rapidly. Therefore we should be making the "important question" a refuge for those who do not dare or do not wish to vote with us on substance, but who feel enough lingering concern at the GRC's position to wish not to overturn it lightly. If we should win votes on the "important question", even at the expense of votes on substance, we may be net gainers. If we see little hope for the 20th GA, why do we struggle so desperately for votes on substance in the 19th? The harder we struggle, the larger our defeat will seem next year.

It is usually assumed that, with a few distinguished exceptions, votes on the "important question" will largely follow those on substance. This may or may not be true. If we can increase the number of exceptions next year (Canada-Italy-Belgium, Japan?), a small differential could become significant.

Fifth, we can delay Chicom entry into the UNGA by vetoing their entry into the SC. An effort will be made to overturn such a veto on grounds that the question is procedural. We can then turn to the "double veto", but we should be prepared to move to have the question submitted to arbitration (the World Court?) before we court the danger of having our double veto ruled invalid, and while we can still boast of voluntarily submitting such a delicate issue to arbitration.

World Court deliberations (plus delays in evicting the GRC from various subsidiary bodies) might absorb another year or two before the road is cleared for the Chicoms to enter the UN. By that time, opinion may be better prepared for the event, and one may of course always hope for some deus ex machina.

If this seems a less than satisfactory procedure, it at least offers a hope of deferring the event, perhaps even by two or three years. It keeps open

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the possibility at least of capitalizing upon a reversed swing toward "two Chinas." It somewhat reduces the damage to our prestige. Even if the GRC should walk out and precipitate the entry of the Chicoms, we would have been in the honorable position of trying to save a friend's position, rather than emphasizing that Chicom entry constitutes a direct defeat for the US. It permits us to show ourselves loyal to our ally yet respectful of others' opinions. When it goes to the World Court it permits us to bow gracefully out of the fight. Finally, I challenge my readers (Are you still there?) to propose a better tactic.

Except universalism.

(Note: I understand that Miss McNutt and Mr. Bennett will submit separate memoranda on this subject.)

cc: S/P - Mr. Yager  
          Mr. Johnson  
UNP - Mr. Buffum  
      EA - Mr. Bennett  
      RA - Mr. Mendenhall  
          Miss McNutt  
      FE - Mr. Moore

FE/ACA:IGrant:aw 12-11-64

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DRAFT JOINT COMMUNIQUE  
(United States Revision of Japanese Draft)

January 8, 1965

1. President Johnson and Prime Minister Sato met in Washington on January 12 and 13, 1965, to exchange views on the current international situation and matters of mutual interest to the United States and Japan. They were assisted by Secretary Rusk and Foreign Minister Shiina and Secretary-General Miki of the Liberal Democratic Party.
2. The President and the Prime Minister reviewed the present international situation and reaffirmed the partnership of the two countries which grows out of common beliefs and the shared objective of a lasting peace based on justice, freedom and prosperity for all peoples. They expressed a firm determination that the two countries should cooperate more closely in seeking this common objective. They agreed that for this purpose the two countries should maintain the closest contact and consultation not only on problems lying between them but on problems affecting Asia and the world in general.
3. The President and the Prime Minister, recognizing the valuable role of the United Nations in the maintenance of the peace and prosperity of the world, exchanged frank views on the difficult questions now confronting the United Nations, and agreed to continue cooperative efforts to strengthen the functions of the United Nations and to enhance its authority.



4. The President and the Prime Minister recognized the desirability of ~~achieving disarmament at an early date~~ *promoting arms control and a reduction of the arms race* and strongly hoped that, following the partial test ban treaty, further steps can be made toward the realization of a total nuclear test ban.
5. The President and the Prime Minister, recognizing that the question of China is a problem having a vital bearing on the peace and stability of Asia, exchanged frank views on the positions of their respective countries and agreed to maintain close consultation with each other on this matter. The President emphasized the United States policy of firm support for the Republic of China and his grave concern that Communist China's militant policies and expansionist pressures against its neighbors endanger the peace of Asia. The Prime Minister explained that it is the fundamental policy of the Japanese Government that while it will maintain friendly ties based on the regular diplomatic relationship with the Government of the Republic of China, private contact will be maintained with the Chinese mainland in such matters as trade on the basis of the principle of separation of political matters from economic matters.
6. The President and the Prime Minister expressed their deep concern over the unstable and troubled situation in Asia, particularly in Vietnam, and agreed that continued perseverance would be necessary for the attainment of freedom and independence in South Vietnam. They reaffirmed their belief that peace in the Far East is a prerequisite to peace not only in Asia but in the whole world.

7. The President and the Prime Minister recognized that the elevation of living standards and the advancement of social welfare are essential for the political stability of developing nations throughout the world and agreed to strengthen their economic cooperation with such countries. The Prime Minister expressed a particular interest in expanding Japan's role in developmental assistance for Southeast Asia. They agreed to continue to consult on the forms of such assistance.

*Deleted* 8. The President joined the Prime Minister in expressing the strong hope that, in the interest of peace and stability in the Far East, the present negotiations for the normalization of relations between Japan and the Republic of Korea will reach a speedy and successful conclusion.

9. The President and the Prime Minister reaffirmed their belief that it is essential for the stability and peace of Asia to eliminate any uncertainty about Japan's security. From this viewpoint, the Prime Minister stated that Japan's basic policy is to maintain firmly the Japan-United States security treaty arrangements, and the President reaffirmed the United States determination to abide by its commitment under the Treaty to defend Japan against any armed attack from the outside.

10. The President and the Prime Minister affirmed the importance of constant efforts on the part of both Governments to establish an even closer relationship between them. In particular, they recognized the vital importance to both countries of the expansion of

their economic relations sustained by the growth of their respective economies, and agreed to cooperate with each other in the worldwide efforts for the expansion of world trade and the stabilization of the international monetary situation.

11. The President and the Prime Minister confirmed the desirability of maintaining and utilizing the Joint United States-Japan Committee on Trade and Economic Affairs where exchanges of views take place at the cabinet level, as well as the United States-Japan Committee on Scientific Cooperation and the Joint United States-Japan Conference on Cultural and Educational Interchange. They further agreed that the fourth meeting of the Joint Japan-United States Committee on Trade and Economic Affairs would be held in July of this year.

12. The President and the Prime Minister examined the problems relating to the Ryukyu and the Bonin Islands. The Prime Minister expressed the desire that, as soon as feasible, the administrative control over these islands will be restored to Japan and also a deep interest in the expansion of the autonomy of the inhabitants of the Ryukyus and the improvement of their welfare. Appreciating the desire of the Government and people of Japan for the restoration of administration to Japan, the President stated that he looks forward to the day when the security interests of the free world in the Far East will permit the realization of this desire. They confirmed that the United States and Japan should further expand their economic assistance to the Ryukyu Islands in order to improve the welfare and well-being of the inhabitants of these islands. They expressed their



satisfaction with the smooth operation of the cooperative arrangements between the United States and Japan concerning the assistance to the Ryukyu Islands and agreed in principle to broaden the functions of the existing Japan-United States Consultative Committee so as to enable the Committee to conduct consultations not only on the economic assistance to the Ryukyu Islands but also on other matters on which the two countries can cooperate to promote the well-being of the inhabitants of the islands. The President ~~prom~~<sup>agreed</sup> ~~vised~~ to give favorable consideration to the wishes of the inhabitants of the Bonin Islands to visit their ancestral cemeteries on the islands.

13. The President and the Prime Minister exchanged views concerning issues pending between the United States and Japan, including the revisions desired by Japan of the United States-Japan Civil Air Transport Agreement and the North Pacific Fisheries Convention and improvement desired by the United States in the conditions for American investment in Japan. They agreed to cooperate toward attaining mutually acceptable and equitable solutions to these problems.

They also exchanged views concerning the Interest Equalization Tax.

14. The President and the Prime Minister expressed their satisfaction with the meetings just held and their desire to continue to maintain close personal contact.

*Embassy of Japan*  
*Washington, D. C.*

JOINT COMMUNIQUE

(JAPANESE DRAFT)

January 7, 1965

1. President Johnson and Prime Minister Sato met in Washington on January 12 and 13, 1965 to exchange views on the current international situation and matters of mutual interest to the United States and Japan. They were assisted by Secretary Rusk and Foreign Minister Shiina and Secretary-General Miki of the Liberal Democratic Party.

2. The President and the Prime Minister reviewed the present [fluid] international situation, and reaffirmed their determination that the two countries should cooperate more closely to contribute toward achieving world peace and stability and promoting economic welfare, as partners sharing the same beliefs and objectives to seek peace based on justice and freedom.

The President and the Prime Minister agreed that for this purpose the two countries should maintain the closest contact and consultation not only on relations between the two countries but on important problems affecting Asia and the world in general.

3. The President and the Prime Minister, recognizing the valuable role of the United Nations in the maintenance of the peace and prosperity of the world, exchanged frank views on the difficult questions now confronting the United Nations, and agreed to continue cooperative efforts to strengthen the functions of the United Nations and to enhance

its authority.

The President and the Prime Minister recognized the necessity of achieving disarmament at an early date, and strongly hoped that in the wake of conclusion of the partial test ban treaty continuous efforts towards realizing a total nuclear test ban will soon bear fruit as a step forward to disarmament.

4. With regard to the question of China, the Prime Minister explained that it is the fundamental policy of the Japanese Government that while it will maintain friendly relations based on the regular diplomatic relationship with the Government of the Republic of China, private contact will be maintained with the Chinese mainland in such matters as trade on the basis of the principle of separation of political matters from economic matters. The President and the Prime Minister recognized that the question of China is a problem having a vital bearing on the peace and stability in Asia, exchanged frank views on the positions of their respective countries, and agreed to maintain close consultation with each other.

5. The President and the Prime Minister expressed their deep concern over the unstable and troubled situations in Asia, particularly in Vietnam, and agreed that the continued perseverance in the efforts would be necessary for the attainment of freedom and independence in South Vietnam. They reaffirmed their belief that stability in Asia is a prerequisite to peace not only in Asia but in the whole world. They recognized that it is



essential for the stabilization of Asia to achieve political stability in countries of this area through the elevation of living standards and the advancement of social welfare, and agreed further to strengthen their economic cooperation with this area.

6. The President and the Prime Minister reaffirmed their belief that it is essential for the stabilization and peace of Asia to eliminate any uncertainty about Japan's security. From this viewpoint, the Prime Minister stated that Japan's basic policy is to maintain firmly the Japan-United States security treaty arrangements, and the President reaffirmed the United States determination to abide by its commitment under the Treaty to defend Japan against any armed attack from the outside.

7. The President and the Prime Minister expressed general satisfaction with the development of United States-Japan relations, and reaffirmed the importance of constant efforts on the part of both Governments to establish an even closer relationship between them. In particular, they recognize the vital importance to both countries of the expansion of their economic relations sustained by the growth of their respective economies, and agreed to cooperate with each other in the worldwide efforts for the expansion of world trade and the stabilization of the international monetary situation.

8. The President and the Prime Minister confirmed the desirability of maintaining and utilizing the Joint United States-Japan Committee on

Trade and Economic Affairs where exchanges of views take place at the cabinet level, as well as the United States-Japan Committee on Scientific Cooperation and the Joint United States-Japan Conference on Cultural and Educational Interchange. They further agreed to hold in July the fourth meeting of the Joint Japan-United States Committee on Trade and Economic Affairs.

9. The President and the Prime Minister examined the problems relating to the Ryukyu and the Bonin Islands. The Prime Minister expressed the desire that the administrative control over these islands will be restored to Japan and also a deep interest in the expansion of the autonomy of the inhabitants of the Ryukyus and the improvement of their welfare. Appreciating the desire of the Government and people of Japan for the restoration of administration to Japan, the President stated that he looks forward to the day when the security interests of the free world in the Far East will permit the realization of this desire. They confirmed that the United States and Japan should further strengthen their economic assistance efforts towards these islands in order to improve and stabilize the welfare and well-being of the inhabitants of these islands. They expressed their satisfaction with the smooth operation of the cooperative arrangements between the United States and Japan concerning the assistance to the Ryukyu Islands, and agreed in principle to broaden the functions of the existing Japan-United States Consultative Committee so as to enable the Committee to conduct consultations not only on the economic assistance to the Ryukyu Islands but also on those

other questions on which the two countries can cooperate in the interests of promotion of the well-being of the inhabitants of the islands. The President promised to give favorable consideration to the wishes of the inhabitants of the Bonin Islands to visit their ancestral cemeteries on the islands.

10. The President and the Prime Minister exchanged their views concerning the issues pending between the United States and Japan, particularly the revisions of the United States-Japan Civil Air Transport Agreement and the North Pacific Fisheries Convention. They agreed to cooperate toward attaining mutually acceptable and equitable solutions to these problems in view of the recent strengthening growth of the United States-Japan relations.

They also exchanged views concerning the Interest Equalization Tax.

“



THE WHITE HOUSE  
WASHINGTON

SATO  
Visit  
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—

Cooper:

Re briefing of the  
President, Rush is  
available except on  
Monday from 10 a.m. to  
2:30 p.m.

Big

Bundy has not seen this paper

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THE SECRETARY OF STATE  
WASHINGTON

January 7, 1965

Dear Mac:

During the January 12 and 13 visit to Washington of Prime Minister Sato of Japan, we shall wish to discuss with him certain important economic problems of common concern in the context of our total relationship with Japan. A brief resume of those problems is enclosed as Annex A.

To assure active and fully coordinated support within the Executive Branch for the positions we shall wish to take with the Japanese, and the subsequent actions required to implement those positions, I wish to consult with the U.S. members of the Joint U.S.-Japan Committee on Trade and Economic Affairs, the Special Trade Representative, and you regarding our important economic relationship with Japan. Therefore, I would appreciate your attending such a meeting when we shall review our economic problems with Japan and consider the actions which the United States should take in this regard, particularly those set forth in Annex B enclosed. I shall have my office in touch with yours concerning a time and place.

With warm regards,

Sincerely,



Dean Rusk

Enclosures:

- Annex A - Summary of Current Problems  
in U.S.-Japan Relations.
- Annex B - Recommended Policy Actions on  
Japan.

The Honorable  
McGeorge Bundy,  
Special Assistant to the President,  
The White House.

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Summary of Current Problems in  
U.S.-Japan Relations

Over the past few years we have quite properly stepped up pressures on Japan to increase significantly its assumption of international responsibilities. We are pressing Japan a) to expand its military establishment while we drastically curtail grant military aid and reduce U.S. forces in Japan; b) to purchase more military equipment from the U.S.; c) to cooperate in the maintenance of our position in the Ryukyus; d) to increase aid to the LDCs generally; e) to give special assistance to South Viet-Nam and Laos; f) to cooperate in the economic denial policies against Cuba and Communist China; g) to participate fully in the Kennedy Round; h) to accelerate liberalization of the remaining import restrictions and of direct foreign investment; i) to take a flexible and generous position on the political and economic issues involved in Japan's negotiations of over-all settlement with the Republic of Korea. These are all actions of great importance to the U.S. and the Free World generally. From the Japanese viewpoint, however, they are not easily taken since they involve the allocation of important resources to projects which are not especially popular in Japan.

Our good relations with Japan meanwhile are being eroded by a series of pin pricks, because we have been unable to accommodate the Japanese in a number of areas of special interest to them. We turned down their request for a civil air route to and beyond New York. After three negotiating rounds extending over a 15-month period we have not yet reached agreement on the Japanese proposal for a new convention on the North Pacific Fisheries. (The Japanese regard both the Civil Air Agreement and the North Pacific Fisheries Convention as "unequal" agreements imposed during or after the Occupation.) We granted an exemption from the Interest Equalization Tax to Canada—but not to Japan. We enacted the Saylor Amendment which applies a 100 percent "Buy America" policy to the Urban Mass Transportation Act. We have pressed for an international meeting to consider an agreement on wool textile exports.

The Japanese fear that the U.S. is shifting to a protectionist trade policy. They believe that we think first of our Atlantic partners in considering problems or actions which are at least as important to Japan as to the Atlantic nations. These issues hurt our relations with Japan by their very accumulation and because U.S. actions seem to be taken in isolation without regard for consistency with our own requests or for the over-all partnership relationship between the two countries.

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E.O. 13292, Sec. 3.5  
NLJ 04-249  
By iss, NARA, Date 12-1-04



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To consider individual problems in the context of our over-all relationship with Japan requires a careful and continuing assessment of our objectives. Only then can we establish relative priority in importance of the actions we want Japan to take and evaluate specific issues to determine the actions which we should take.

The following is a summary of the nature and status of certain current problems with Japan.

1. U.S.-Japan Defense Relations

We are encouraging the Japanese to assume greater responsibilities in the field of defense. As a minimum goal we want Japan to take over full responsibility for the defense of its own homeland coastal waters. We also need continued Japanese cooperation in providing the U.S. with military bases in Japan, as well as in maintaining the U.S. position in Okinawa and the Bonin Islands. In the longer range, as the anti-military inhibitions which limit Japan's defense role are gradually overcome, we hope to secure more substantial Japanese participation in defense of the Free World interest in the Far East, including (but not necessarily limited to) military assistance to Asian LDC's and participation in United Nations peace-keeping missions.

[REDACTED]

3.3(b)(6)

The attitude of the Japanese Government in the military field has generally been one of willing cooperation. The basic problem has been and will remain for the foreseeable future that of overcoming popular opposition to military participation of any sort by Japan. This opposition is gradually giving way to tacit acceptance, but progress is slow, and there is some danger that this favorable trend could be interrupted or even reversed by U.S. insistence that the Japanese Government move ahead faster than popular opinion will allow. A deterioration of the U.S.-Japan relationship overall, also, could reduce the willingness of the Government itself to cooperate with us in the defense field, and might, in combination with other factors, tempt Japan over the longer run into an independent military role in Asia which would not necessarily be in the best U.S. interest.

2. Aid to the Developing Countries

Japan recognizes that economic assistance to developing countries is of vital importance to it for political and economic

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reasons. Despite its relatively low per capita GNP (\$623), Japan has since 1961 ranked fifth among the Development Assistance Committee (DAC) countries as a contributor of economic assistance to the LDC's. Although the aid volume to some areas is small, Japan extends economic assistance globally.

While we agree that Asian countries should be the principal recipients of Japanese aid, we have urged Japan, in keeping with the leadership position it has attained, to contribute in non-Asian regions in support of Free World objectives. An important current example is the effort to strengthen the OECD Turkish consortium. The U.S. and other OECD members have urged strongly that Japan participate because the success or failure of the consortium, which is designed to assist an OECD member, will constitute a significant measure of the effectiveness of the OECD in the development field generally; hence, it is a matter of important concern to all OECD members. The Japanese Government, at the working level, has appeared to treat the question of participation in a routine and bureaucratic manner with the important political considerations largely ignored, and has resisted participation in spite of intensive representations by OECD members. Recent high level representations by Ambassador Reischauer have elicited an undertaking to reconsider the matter, however.

Japan favors developmental medium-term (5-10 years) loans and in principle dislikes grant assistance, though recognizing the need for such assistance in exceptional cases. Both for the immediate future and over the longer term, Japan's aid policy will be influenced 1) domestically by the availability of capital resources to meet developmental and trade requirements; 2) externally by balance of payments considerations; and 3) generally by whether it believes assistance will further Japan's economic and political objectives in relation to recipient countries. Japan's desire to gain prestige among countries of the Western world as a nation entitled to a prominent place in the councils of the Free World is also a strong motivation for expanding economic assistance.

Japan's net public and private economic assistance was \$250 million in 1960, \$371 million in 1961, \$280 million in 1962 and \$265 million in 1963. Reparations commitments to countries of Southeast Asia make up almost all of Japan's grant aid and constitute about a third of its official aid disbursements. Perhaps

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the most effective type of Japanese aid is technical assistance which has been increasing steadily over the past years.

Japan's capacity to assist the developing countries is rising rapidly with an average annual real growth rate of over 9 percent in the past decade. An inhibiting factor is the recurrent balance of payments crises which arise because Japan's rapid economic growth is so closely related to foreign trade. No appreciable increase in foreign aid occurred in 1964 but recent policy statements by high government leaders indicate that Japan plans to make a greater effort in this field in the coming year.

### 3. Japan's Trade with the Communist Bloc

Japan is a member of COCOM and its record of complying with restrictions on exports of strategic goods to the Bloc is quite good. Although Japan is not a member of NATO or the Berne Union, it has been generally cooperative in limiting credits to the Bloc but it takes the position it can go no further in this direction than our NATO partners. The Japanese Government is under heavy domestic pressure to expand exports to the Communist Bloc and in this connection to extend credit at terms at least as favorable as those offered by Western European competitors.

Japan has legal difficulties in restraining trade to Cuba because COCOM restrictions do not apply and her Government is under heavy pressure to increase trade with Communist China because of the long standing cultural and economic ties. In cooperation with the U.S., Japan suspended all merchant shipping to Cuba in January 1963 and has discouraged Japanese exporters from shipping items on a confidential list of strategic goods furnished by the U.S. There is pressure to export to Cuba to balance Japan's large purchases of sugar there. The U.S. is asking Japan to reduce Cuban sugar purchases now that the world sugar situation has eased.

There has been a sharp increase in Japan's trade with Communist China in the first nine months of 1964, owing to (1) intense pressure from business (2) an effort to keep pace with European competition and (3) Communist China's increased capacity to absorb imports. The Sino-Soviet split has contributed to the third factor. The China component of Japan's Bloc trade concerns us. with the Bloc

Trade rose 70 percent over the corresponding period of 1963 and accounted for 6.1 percent of Japan's total foreign trade.

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Bloc trade accounted for 4.6 percent of Japan's total trade in 1963. This compares with over 6 percent for Italy, about 5 percent for Germany, 4 percent for the U.K. and less than 4 percent for France. All OECD countries averaged about 5 percent in 1963.

#### 4. Direct Investment

The United States welcomed the liberalization of Japan's investment procedures on July 1, 1963 for we are convinced that the free flow of U.S. direct investment will be advantageous to both countries. From the information available, however, it is not certain that the regulatory changes have in fact resulted in an easing of the earlier limitations on direct investment and the American business community has the persistent impression that Japan's progress toward liberalization of foreign investment has virtually ceased if there has not, in fact, been a retrogression in the past 18 months.

The United States would like to obtain the operation in practice of the apparently liberal criteria of the current Japanese investment rules -- criteria which have been drawn to accord with Japan's OECD and IMF commitments. We understand the problems Japan faces but would like to see more evidence of progress toward full liberalization.

Under the new Japanese regulations effective July 1, 1963, all principal and income from foreign investments made by non-residents after that date are freely remittable in foreign exchange but the investments themselves require specific government approval. Foreign investment in yen rather than foreign exchange -- including purchases of stock through the market as well as joint ventures -- was prohibited, as was the establishment of branch offices of plants on a yen basis.

Previously, foreigners could invest more or less freely on a yen basis when they were not seeking convertibility into foreign exchange, but investments carrying the government's guarantee of such convertibility were subject to a highly restrictive validation procedure. Under the new procedure, described by the Japanese Government as being simpler, quicker, and more liberal, direct investments are approved in principal "unless they are deemed to have conspicuously adverse affects upon our national economy." This supposedly made unnecessary the non-validated channel previously open to foreigners willing to accept yen payments.

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To date, however, there is no concrete evidence that the new regulations represent a significant relaxation in practice. Japanese officials appear to be applying the previous restrictive criteria for approval and, though technically attainable, majority foreign participation still appears virtually impossible to obtain in practice.

There is genuine fear and distrust of foreign investments in Japan for reasons deep seated in Japan's history and psychology which make Japanese officials drag their feet in applying liberal criteria to investment applications. There is widespread fear that powerful foreign corporations will obtain control of industries vital to the Japanese economy, i.e. petroleum and automobiles, combined with a popular impression that most sectors of the Japanese economy are too weak to be exposed to foreign competition. This feeling pertains particularly to the small and medium industries of the lower part of the "dual structure" but also applies to major industries which have been highly protected, such as automobiles and advanced electrical equipment.

The Japanese justify their screening of new investments on the ground that European members of the OECD continue to restrict American investment when it is considered detrimental to the national economy. While we should continue gradually to press for the full liberalization of investment consistent with rights of our citizens under our FCN Treaty, it would be a major step in this direction if we could persuade Japan to apply the actual screening criteria of Western European countries, which are in fact far more liberal than actual Japanese practices.

##### 5. Kennedy Round

Japan and the United States tabled their exceptions lists on November 16, 1964. The U.S. list has a greater impact on Japan than on any other linear participants in the Kennedy Round, including the EEC. It accounts for 16.9 percent of U.S. imports of dutiable non-agricultural imports from Japan in 1961. Nearly three-fourths of this trade was in items subject to economic exceptions; the remainder consisted of exceptions made necessary for mandatory or technical reasons. The Japanese list accounts for 30.4 percent of total dutiable non-agricultural imports from the U.S. in 1963. Both the U.S. and the Japanese lists include items in which partial tariff cuts will be possible. Japan may be expected to press for the elimination of discriminatory restrictions on Japanese exports, including Japanese voluntary export controls.

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In the agricultural sector, which was not included in the exceptions list, Japan is concerned that its small-scale and high cost industry will not be able to meet international competition if its protective controls, including tariffs, are reduced. In the forthcoming bilateral agricultural talks between the two countries, scheduled for January 18, 19, and 21, Vice Minister of Agriculture Tohru Ohsawa will seek to obtain U.S. assurances that Japanese agricultural problems will be viewed sympathetically. Japan is by far the largest customer for our agricultural products and the prospect is for a continued healthy growth in U.S. agricultural exports.

#### 6. Civil Aviation

Japan, with considerable bitterness, recessed the last round of U.S.-Japan civil aviation negotiations. It charged the U.S. with indifference to its interests because what we proposed proceeds from the 1952 agreement which the Japanese regard as "unequal" inasmuch as it was signed so soon after the end of the Occupation - and we deny Japan an around the world route which it desires for reasons of national prestige. Because American airlines largely dominate Japanese international air services, the U.S. is very vulnerable to retaliation if ~~we~~ should push our position too far.

Our civil aviation negotiations with Japan came to a complete impasse this summer because of the unbridgeable differences in our positions. The Japanese regarded our position as so negative and our counterproposal to their request for New York and beyond rights so harsh, that they reportedly seriously considered denouncing our Air Transport Services Agreement. Embassy Tokyo reports that the Japanese Government will settle for nothing less than New York and beyond in the next round of negotiations which raises the possibility of another stalemate.

Consultations were requested by Japan and began June 22, 1964 with Japan renewing its 1961 request for a Central Pacific route to and beyond New York. The U.S. responded July 29 offering Japan a route via Honolulu and Los Angeles to New York (but not beyond) in exchange for 1) the termination of Japan's existing rights to San Francisco and Seattle, and 2) the concession by Japan of the following new rights to the U.S.: a) rights to Osaka, b) four additional all-cargo frequencies, and c) confirmation of U.S. rights beyond Tokyo to Europe and Asia, including the right to operate a second carrier to Hong Kong.

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## 7. Interest Equalization Tax

The July 18, 1963 announcement of the proposed IET caused greater shock and dismay in Japan than any other action we have taken in the economic field in recent years. The Japanese stock market virtually collapsed and the Foreign Minister was immediately dispatched to Washington for consultations.

The Japanese feared that their access to the U.S. capital market would be cut off with grave implications for their economic growth and balance of payments. The "discriminatory" exemption granted Canada and our advance consultations with the European countries in the OECD on our balance of payments problem (though not on the tax itself) aroused fears of isolation and the erosion of Japan's partnership with the U.S.

Japan's over-all imports of capital from the U.S. have not declined but Japan has become much more dependent on short term bank loans, which has increased the vulnerability of its foreign exchange position. There have been no Japanese securities floated in U.S. markets in the past 16 months. Japan has borrowed some \$200-220 million in European markets but because of the difficulty in placing their securities at an attractive price, the Finance Ministry has suspended further approvals of private issues.

During the IBRD/IMF meetings in Tokyo in September, Finance Minister Tanaka asked Secretary Dillon to grant an exemption for at least Japanese Government bonds. Secretary Dillon gave Minister Tanaka no hope of obtaining such an exemption but said he would let Tanaka know if there were a change in the U.S. position. Recent feelers from the Japanese indicate that they continue to hope for an exemption and may renew the request when Prime Minister Sato meets President Johnson in January. Meanwhile, the Finance Ministry continues to refuse to approve Japanese flotations in the U.S. although it is generally acknowledged that it is feasible to do so, even with the tax.

The Japanese are watching this legislation apprehensively for if it is extended in 1965, they expect another sharp decline in the stock market and feel that the Government may have to reappraise some of its basic economic policies. They are also

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apprehensive that the sharp rise in U.S. bank loans to Japan will incline the Administration toward putting the Gore Amendment into effect, i.e. to tax bank loans.

#### 8. Cotton Textiles

Japanese reaction to restrictions on its textile exports is always much stronger than their economic importance would seem to warrant. The Japanese are highly conscious of their overriding need for expanding access to the U.S. market if their economy is to continue to grow. They tend to take U.S. actions in the textile field as a bellwether of our intentions with respect to other exports where they are particularly competitive such as shoes, steel, chinaware, etc.

Japan accepts that orderly growth is necessary in exports of cotton textiles. Its primary aim is assurance of such growth through sufficient flexibility in the agreed quotas so that annual ceilings can be reached. In the long term, it hopes that as the textile industries of the highly developed countries either modernize and become more competitive, or gradually make way for textile imports, multilateral agreements to regulate trade in cotton textiles will not be necessary.

Japan was the first of the major exporting countries to control voluntarily its exports of cotton textiles to the United States and its record of cooperation has been on the whole very good. There is a growing disenchantment in Japan with the Long Term Arrangement (LTA), however, under which our current bilateral was negotiated. In response to strong industry pressure, the Japanese Government has informed us that it will probably ask for negotiations early in 1965 for the revision of the bilateral. Japan will probably ask for liberalization of category and group quotas and spacing requirements to permit more flexibility. Japan was able to reach only 90 percent of its quota in 1963 and may fall short of that in 1964.

We also face the negotiation of another bilateral in 1965 for the period beyond 1965, particularly the remaining two years of the Long Term Arrangement (1966-67) although Japan has not yet committed itself to a new bilateral. We also face a full dress review of the operations of the LTA. Because our program of restraints on cotton textile imports has been so successful, i.e. total imports have stagnated, and actually declined, the U.S. may now be in a position where it can grant a bonus to importers. It is important that Japan be treated at least as favorably as any other exporting country in the allocation of any permissible increase in imports.

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The U.S. excluded cotton textiles from its exceptions list for the Kennedy Round because of the existence of the LTA. We will undoubtedly want the LTA to be renewed for another term and there is no question that it cannot be renewed without the assent of Japan which accounts for 25 percent of our cotton textile imports. 00

9. Wool Textiles

The firm Japanese opposition to a multilateral agreement to regulate international trade in wool textiles stems from a belief (which is mistaken) that they had explicit assurances from the U.S. that if they accepted the Long Term Arrangement for Cotton Textiles (LTA), similar agreements would not be requested for wool and other textiles. Japan's experience under the LTA has reinforced their opposition to a wool textile agreement for they believe the U.S. has turned the LTA into a highly restrictive instrument to impose quotas on a wide spectrum of cotton textile categories which results in an effective reduction in shipments to the U.S. below earlier levels.

The Japanese are well aware of pressure by our domestic industry for measures to reduce wool textile imports, and the statements made by President Johnson in September and October 1964 that we intend to continue to seek an international wool textile conference. They are also well aware of the substantial support for an international wool textile agreement in certain European industrial circles.

When the Christopher Mission was sent to Rome and London last summer, it activated Japanese fears that the U.S. was seeking the agreement of the European wool textile exporting countries in order to present Japan with a fait accompli. In what appeared to the Japanese to be an afterthought, Ambassador Reischauer was instructed to seek the views of the newly appointed Minister of International Trade and Industry on our proposal for an international wool conference. Thus, the Ambassador's first call on Minister Sakurauchi was devoted to a demarche with a predictably negative outcome instead of discussing aid to Viet-Nam and liberalization as he had intended. This also stimulated the Foreign Office to request the Embassy to come to it in the future when seeking the views of the Japanese Government on international economic problems.

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Although the issue is dormant at present, the Japanese are deeply concerned that U.S. pressures will revive it soon. This, they find utterly inconsistent with the purposes of the Kennedy Round and they reject out of hand the argument that a wool textile conference will help reduce protectionist pressures in the U.S. To the contrary, they are moving to the view that accommodation in one sensitive sector, such as cotton textiles, actually encourages similar requests, e.g. wool textiles and shoes.

#### 10. North Pacific Fisheries Negotiations

Japan is deeply dissatisfied with the present North Pacific Fisheries Convention and asked that it be renegotiated immediately after the initial 10-year period expired. The Convention is a sensitive political issue in Japan because most Japanese feel that the present Convention is an imposed and "unequal" Treaty inasmuch as it was negotiated during the military occupation of Japan and signed soon after the Peace Treaty went into effect. They particularly object to the abstention principle by which the Japanese agree to refrain from fishing for salmon east of 175° west longitude and to refrain from taking halibut in areas in which the U.S. and Canada are taking the maximum sustainable yield. They consider the abstention terminology an affront to their national pride because it discriminates only against the Japanese. They also feel it impairs their rights on the high seas and provides an unfortunate precedent for similar discrimination on the part of the USSR and Korea.

The U.S. and Canada have dropped their demands for the abstention terminology but we retain as our principal goal the preservation of as much as possible of the practical protection provided under the present Convention. The Japanese recognize our special interest in salmon and an agreement has seemed relatively near in the negotiations but the problem of halibut is more difficult. The Japanese do not recognize that our conservation measures justify our exclusive fishing of these stocks since their sole habitat is the high seas. They will accept conservation regimes but not on the basis of their exclusion from fisheries in international waters.

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Since the U.S. cannot improve its present position in the North Pacific fishery through any foreseeable revision of the Convention, our fishing industry considers it to be in its interest to maintain the status quo. Our tactics have been to reserve important concessions until there is a clear danger that the Japanese might renounce the Convention.

There appears to be a reasonable chance that agreement can be reached at the next meeting in Japan providing that the U.S. is prepared to back off somewhat further from the coverage of the present Convention. The public of our Pacific Northwest and Alaska feel deeply, however, that the U.S. and Canada have a special exclusive interest in the salmon and halibut resources of the Northeast Pacific as a result of our extensive research and severe regulations which have saved these stocks from virtual economic extinction. There is a strong element in the Northwest fishing industry which believes that U.S. representatives have already conceded too much and that vigorous action on the part of the U.S. Government would be effective in obtaining Japanese acceptance of an abstention line 10 degrees further west of the present line as well as the continuation of the present Convention with little change. It is anticipated that there will be some stormy consultations with key members of the Congress before the U.S. position is agreed upon for the next meeting with Japan and Canada.

11. Saylor Amendment to the Urban Mass Transportation Act

The Japanese find the Saylor Amendment particularly obnoxious because it writes into law a 100 percent "Buy American" regulation in an area where the Japanese expected substantial exports. In fact, certain Japanese firms had already concluded contracts to sell transit equipment to various cities which were rendered null and void by the terms of the law. Even more upsetting to the Japanese than its economic impact was their interpretation of it as an indication of a strong protectionist tide in the Congress and the Administration's inability or lack of determination to stem it.

The Japanese understand why the President felt compelled to sign the act notwithstanding the amendment and have been told of the Administration's intention to seek its repeal during the forthcoming session of the Congress. The Act provides \$375 million in Federal assistance over a three-year period and is an important

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part of the Administration's domestic program. The Saylor Amendment requires that all materials used in any Federally supported project be procured from U.S. sources. This restriction goes far beyond the "Buy American" Act and the administrative regulations of the Department of Defense.

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Recommended Policy Actions on Japan

I. Desired Improvement in Japanese Performance

The following are actions which are in the interests of both the U.S. and Japan as leaders of the Free World. We should stress the mutuality of our interests in the context of the partnership concept enunciated by President Kennedy and Prime Minister Ikeda in 1961.

A. Cooperative Defense Arrangements

1. We want Japan to develop and maintain defense forces which would permit early assumption by Japanese forces of virtually complete responsibility for the defense of Japan.

2. We must insure that the U.S.-Japan military partnership remains more attractive to Japan than the alternatives of military non-alignment or independent defense measures.

B. Aid to Developing Countries

1. We want Japan to carry a greater share of the aid burden of the less developed countries in keeping with its position as a leading industrial power and to take a more active role in international forums dealing with economic aid. For example, we would like Japan to participate in the Turkish consortium to demonstrate its full acceptance of the responsibilities of membership of OECD.

2. The volume and terms of Japanese aid should be improved, but the Japanese Government faces political, institutional and financial obstacles unlike ours, which must be recognized when we offer specific suggestions.

3. In suggesting that Japan offer more and better aid to LDC's we should

a. Emphasize importance to Japan of adequate flow of aid to LDC's on terms commensurate with LDC's debt servicing capacity;

b. Agree that Asian countries should be principal beneficiaries of Japanese aid;

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**E.O. 12356, Sec. 3.4**  
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c. Urge Japan, in keeping with the position of leadership it has now attained, to contribute in non-Asian regions in support of Free World objectives.

d. Stress the value of Japanese aid in the technical assistance field and look to the possibility of a Japanese Peace Corps-type of program.

C. Sino-Soviet Bloc and Cuban Trade

1. We want continued Japanese cooperation in the Free World economic denial policies against the Communist bloc, especially in the fields of trade with Cuba and the granting of credits.

2. In continuing to press for such cooperation, we must recognize the fact that the Japanese Government cannot do more in this field than other allied Free World countries and is bound to be influenced by the degree to which others cooperate.

D. Liberalization of Trade and Investment

1. Stress our interest in further liberalization of present restrictive practices in Japan aimed at direct foreign investment.

2. In requesting further liberalization of trade and investment, take account of structural problems faced by Japan, and avoid U.S. actions which appear inconsistent with our professed liberal trade policy.

E. Kennedy Round

1. In negotiating with the Japanese for meaningful tariff cuts, make clear we recognize Japan's concern over discriminatory non-tariff barriers imposed on their exports and indicate support for their elimination.

2. Make certain Japan is included in consultations with "industrialized" countries, and try to accord Japan treatment at least as favorable as that we accord Canada.

II. Indications of Future U.S. Performance

A. Civil Aviation

1. The President should inform Japan that we are developing a U.S. position which can form the basis for early preliminary discussions with the Japanese to lay the groundwork for fruitful formal negotiations

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in the spring. The President should also state that another impasse in civil aviation negotiations must be avoided.

2. The President should inform Japan that a route "to and beyond New York" is impossible, but there is a good possibility of negotiating a Japanese mid-Pacific route to (but not beyond) New York. (The President's assistants in the White House will ask for the President's explicit and prior approval of this position.)

B. Interest Equalization Tax

The Secretaries of State and the Treasury should:

1. Inform Japan of the U.S. intention to extend the IET beyond 1965 and give full justification for such action; and

2. Persuade Japan that

a. Possible alternatives to the IET (e.g. higher U.S. interest rates, exchange controls) would pose even more serious problems for Japan than the tax itself;

b. The IET does not deny Japan, whose interest rates are high, continuing access to the needed resources of the U.S. capital market;

c. The Joint U.S.-Japan Economic Consultative Task Force, which was established in August 1963, should be requested to explore possible financial arrangements which would serve the interests of the U.S. and Japan and to report its findings to the Joint U.S.-Japan Committee on Trade and Economic Affairs at its next meeting.

C. Cotton Textiles

1. If this subject should arise, the Secretary of State should inform Japan that we are prepared to consult as provided by the U.S.-Japan Cotton Textile Agreement and to give sympathetic consideration to Japan's proposals for changes in the Agreement. At the same time express U.S. desire to negotiate an extension of the bilateral agreement beyond 1965.

2. The U.S. should treat Japan at least as favorably as any other exporting country in the allocation of any permissible increase in imports.

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3. The U.S. should explore carefully the possibilities for increasing the flexibility of the bilateral agreement with Japan.

D. Wool Textiles

1. If this subject should arise, the Secretary of State should inform Japan that a) U.S. industry pressure on the Administration continues to be strong with respect to difficulties stemming from wool textile imports; and b) this will probably have been mentioned informally and briefly by the President, who will suggest that the Prime Minister consider the industry request for a governmental conference to discuss it.

2. The U.S. should make every effort to avoid the imposition of unilateral quantitative restrictions on wool textile imports.

3. The U.S. should assure Japan that any multilateral or bilateral arrangements which may be developed will not discriminate against Japan.

E. North Pacific Fisheries Convention

1. The U.S. should develop a position for the fourth round of negotiations which is designed to lead to early agreement on a new Convention.

2. Through consultations with the interested members of Congress and industry representatives: make clear to them the importance to the U.S. of reaching early agreement on a new Convention and the leverages that are (and are not) available to the U.S. in developing agreement with Japan.

F. Saylor Amendment

The Secretary of State should inform Japan that the repeal of this amendment is high on the list of priorities for action by the 89th Congress.

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## DEPARTMENT OF STATE

WASHINGTON

January 6, 1965

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*Cooper*~~CONFIDENTIAL~~MEMORANDUM FOR MR. McGEORGE BUNDY  
THE WHITE HOUSESubject: Arrangements for the President's Meetings  
with Prime Minister Sato of Japan

Prime Minister Sato of Japan arrives in Washington on January 11 as the guest of the United States Government and departs on January 14. Enclosed is a copy of the schedule for the visit, as agreed with the Japanese Embassy.

The President has agreed to welcome the Prime Minister on January 12 at 11:15 a.m. at a White House arrival ceremony, with full military honors, and to meet afterwards with the Prime Minister from 11:30 to 1 p.m. The President has also agreed to receive the Prime Minister on January 13 from 11:30 to 12:00 noon, at which time a joint communique will be agreed upon.

To provide a general focus for the President's meeting on January 12, Secretary Rusk on December 30 handed Ambassador Takeuchi an aide-memoire indicating that the President is expected to raise three subjects with the Prime Minister: Communist China; Southeast Asia, in particular Viet-Nam; and Japan-Republic of Korea relations. The President would also express his desire that bilateral issues in U.S.-Japanese relations be settled as soon as possible, in an atmosphere of forthcoming cooperation. We expressed the view that other subjects could be covered in more detail in the Prime Minister's discussions with Secretary Rusk and other high U.S. officials. We said, however, that we would be happy to receive any suggestions which the Prime Minister might have with regard to additional topics he might wish to raise with the President.

The Japanese Embassy advises that the Prime Minister wishes to take the following members of his official party to his meetings with the President: Foreign Minister Shiina; Mr. Takeo Miki, Secretary General of the Liberal Democratic Party; Ambassador Takeuchi; Mr. Nobuhiko Ushiba, Deputy Vice Minister for Foreign Affairs, who is the principal foreign affairs advisor to the Prime Minister and Foreign Minister; and Mr. Takeshi Yasukawa, Counselor of General Affairs in the Ministry of Foreign Affairs whom the Japanese Embassy believes

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By *ju*, NARA, Date *7-16-92*



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will shortly become Director of the Ministry's American Affairs Bureau. Ambassador Reischauer believes that the inclusion of Mr. Miki in the Prime Minister's party may presage his appointment as Foreign Minister in the near future.

Secretary Rusk plans to attend the President's meetings with Prime Minister Sato. Ambassador Reischauer, Assistant Secretary Bundy, Deputy Assistant Secretary Green, and Robert A. Fearey, Director for East Asian Affairs, will also be present. The U.S. record of the meeting will be prepared by Mr. Green and Mr. Fearey. The Department has agreed with the Japanese Embassy that Mr. Toshiro (Henry) Shimanouchi, Japanese Consul General at Los Angeles, should serve as interpreter during the Prime Minister's meetings with the President.

The Japanese Embassy has informed the Department of the Prime Minister's desire to meet privately with the President for about 30 minutes at the end of the meeting on January 12. In response, we have informed the Embassy of the President's wish, expressed to Chief of Protocol Duke, that the customary private conversation in meetings of this kind take place at the beginning of the meeting.

If the President wishes, the Secretary would be glad to brief him, accompanied by Ambassador Reischauer, at the President's convenience.



Benjamin H. Read  
Executive Secretary

Enclosure:

Schedule of Visit

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DEPARTMENT OF STATE  
FOR THE PRESS

JANUARY 6, 1965

NO. 2

PROGRAM FOR THE VISIT TO THE UNITED STATES OF AMERICA OF  
HIS EXCELLENCY EISAKU SATO, PRIME MINISTER OF JAPAN

JANUARY 9 - 16, 1965

Members of the Party

His Excellency Eisaku Sato  
Prime Minister of Japan

His Excellency Etsusaburo Shiina  
Minister for Foreign Affairs  
(San Francisco and Washington)

His Excellency Ryuji Takeuchi  
Ambassador of Japan

The Honorable Takeo Miki  
Secretary General of the Liberal Democratic Party

Mr. Nobuhiko Ushiba  
Deputy Vice Minister for Foreign Affairs

Mr. Takeshi Yasukawa  
Counselor of General Affairs  
Ministry of Foreign Affairs

Mr. Toshiro Shimanouchi  
Consul General of Japan at Los Angeles  
(San Francisco, Washington, New York and Los Angeles)

Mr. Moriyuji Motono  
Private Secretary to the Prime Minister

Mr. Seiichi Omori  
Private Secretary to the Minister for Foreign Affairs  
(San Francisco and Washington)

Mr. Kozo Satake  
Personal Aide to the Prime Minister

Mr. Shoichi Kobayashi  
Personal Aide to the Secretary General  
of the Liberal Democratic Party

Mr. Tasuku Hasemura  
Personal Aide to the Prime Minister

(Cont'd.)

Members of the Party (Continued)

Mr. Sumio Edamura  
Deputy Chief, North American Affairs Section  
Bureau of American Affairs  
Ministry of Foreign Affairs

Mr. Tatsujiro Osaki  
Administrative Assistant  
Ministry of Foreign Affairs

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The Honorable Angier Biddle Duke  
Chief of Protocol of the United States of America  
(Washington, D.C.)

The Honorable Edwin O. Reischauer  
American Ambassador to Japan  
(Washington, D.C. and New York City)

Mr. Samuel L. King  
Assistant Chief of Protocol  
Department of State

Mr. Ronald A. Gaiduk  
Public Affairs and Press Officer  
Department of State

Mr. Francis J. Madden  
Security Officer  
Department of State

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SATURDAY, JANUARY 9

9:15 p.m. HST His Excellency Eisaku Sato, Prime Minister of Japan, and his party will arrive at Honolulu International Airport, Honolulu, Hawaii, aboard Japan Airlines Flight 800.

11:15 p.m. HST Departure from Honolulu, Hawaii.

SUNDAY, JANUARY 10

6:00 a.m. PST The Prime Minister of Japan and his party will arrive at the San Francisco International Airport, San Francisco, California, aboard Japan Airlines Flight 800.

6:10 a.m. Departure from the airport.

6:40 a.m. Arrival at the Mark Hopkins Hotel.

12:30 p.m. Prime Minister Sato will have luncheon privately at the residence of Mr. Tsutomu Wada, Consul General of Japan at San Francisco.

3:00 p.m. Prime Minister Sato will hold a press conference at the Mark Hopkins Hotel in the Room of the Dons.

7:00 p.m. The World Affairs Council of Northern California, the World Trade Association of the San Francisco Chamber of Commerce, and the Japan Society of San Francisco will give a dinner in honor of the Prime Minister of Japan at the Peacock Court of the Mark Hopkins Hotel.

Dress: Black tie.

MONDAY, JANUARY 11

9:15 a.m. Departure from the Mark Hopkins Hotel.

9:45 a.m. Arrival at the San Francisco International Airport.

10:00 a.m. PST The Prime Minister of Japan and his party will depart from San Francisco aboard a United States Air Force special flight. (Four hours and 45 minutes flying time, three hours change in time zone.)

5:45 p.m. EST Arrival at Andrews Air Force Base, Maryland. Prime Minister Sato will be greeted by the Secretary of State.

6:00 p.m. Departure from Andrews Air Force Base by motorcade.

6:30 p.m. Arrival at Blair House.

MONDAY (Cont'd.)



MONDAY, JANUARY 11 (Continued)

7:50 p.m. Departure from Blair House.

8:00 p.m. Prime Minister Sato will have dinner privately at the Embassy of Japan, 2516 Massachusetts Avenue.

TUESDAY, JANUARY 12

11:13 a.m. Departure from Blair House.

11:15 a.m. Prime Minister Sato and his party will arrive at the White House where he will be greeted by the President of the United States, the Secretary of State, the Chairman of the Joint Chiefs of Staff, the Dean of the Diplomatic Corps, and other officials. Military honors will be rendered.

11:30 a.m. Prime Minister Sato will meet with President Johnson at the White House.

1:00 p.m. Departure from the White House and return to Blair House.

1:30 p.m. The National Press Club will give a luncheon in honor of the Prime Minister of Japan at the National Press Club Building, Fourteenth and F Street, Northwest.

3:30 p.m. The Prime Minister of Japan will meet with Secretary Rusk at the Department of State.

5:30 p.m. Departure from the Department of State and return to Blair House.

8:00 p.m. The President of the United States of America and Mrs. Johnson will give a dinner in honor of the Prime Minister of Japan at the White House.

Dress: Black tie.

WEDNESDAY, JANUARY 13

8:45 a.m. The Prime Minister of Japan will meet with the Honorable Robert S. McNamara, Secretary of Defense, at the Blair House.

10:25 a.m. Prime Minister Sato will depart from Blair House.

WEDNESDAY (Cont'd.)

WEDNESDAY, JANUARY 13 (Continued)

10:35 a.m. Arrival at Arlington National Cemetery where the Prime Minister of Japan will place wreaths at the Tomb of the Unknown Soldier, the grave of the late John Foster Dulles, and the grave of the late President John F. Kennedy.

11:30 a.m. Prime Minister Sato will meet with President Johnson at the White House.

12:00 noon Departure from the White House and return to Blair House.

1:00 p.m. Secretary Rusk will give a luncheon in honor of Prime Minister Sato in the Thomas Jefferson Room, Department of State.

4:30 p.m. Prime Minister Sato will have a press conference in the Ambassador Room, Shoreham Hotel.

6:30 p.m. His Excellency Ryuji Takeuchi, Ambassador of Japan, and Mrs. Takeuchi will give a reception in honor of Prime Minister Sato at the Embassy of Japan, 2516 Massachusetts Avenue, Northwest.

8:00 p.m. Prime Minister Sato will have dinner privately at the Embassy of Japan.

THURSDAY, JANUARY 14

9:15 a.m. Departure from Blair House.

9:20 a.m. The Prime Minister of Japan will arrive at the Ellipse where an Armed Forces Full Honor Departure Ceremony will be conducted.

9:35 a.m. Departure from the Ellipse by helicopter.

9:45 a.m. Arrival at Andrews Air Force Base.

9:55 a.m. EST The Prime Minister of Japan and his party will depart from Andrews Air Force Base aboard a United States Air Force special flight. (One hour and fifteen minutes flying time.)

11:10 a.m. EST Arrival at John F. Kennedy International Airport, New York.

11:20 a.m. Departure from the airport.

12:00 noon Arrival at City Hall. The Prime Minister of Japan will be greeted by the Honorable Robert F. Wagner, Mayor of New York City, who will present the New York City Medallion of Honor to Prime Minister Sato.

THURSDAY (Cont'd.)

THURSDAY, JANUARY 14 (Continued)

12:30 p.m. Departure from City Hall.

12:45 p.m. Arrival at the Headquarters of the United Nations.

1:15 p.m. U Thant, Secretary General of the United Nations, will give a luncheon in honor of the Prime Minister of Japan at the United Nations Headquarters.

2:30 p.m. Departure from the United Nations Headquarters.

2:40 p.m. Arrival at the Waldorf Towers.

3:00 p.m. Prime Minister Sato will have a press conference at the Basildon Room, Waldorf Astoria.

7:15 p.m. The Far East America Council of Commerce and Industry, the Japan Society, the Japanese Chamber of Commerce of New York, and the Nippon Club will give a reception and dinner in honor of the Prime Minister of Japan in the Grand Ballroom, Waldorf Astoria Hotel.

Dress: Black tie.

FRIDAY, JANUARY 15

8:30 a.m. Departure from the Waldorf Towers.

9:00 a.m. Arrival at John F. Kennedy International Airport.

9:10 a.m. EST The Prime Minister of Japan will depart New York aboard a United States Air Force special flight. (Five hours and forty-five minutes flying time; three hours change in time zone.)

11:55 a.m. PST Arrival at Los Angeles International Airport, Los Angeles, California.

12:10 p.m. Departure from the airport.

12:30 p.m. Arrival at the Biltmore Hotel.

The Los Angeles World Affairs Council in cooperation with the City of Los Angeles and the Japan-American Society of Southern California will give a luncheon in honor of Prime Minister Sato at the Biltmore Bowl, Biltmore Hotel.

FRIDAY (Cont'd.)

FRIDAY, JANUARY 15 (Continued)

2:45 p.m. The Prime Minister of Japan will hold a press conference in the Galleria Room at the Biltmore Hotel.

3:15 p.m. Departure from the Biltmore Hotel.

3:35 p.m. Arrival at Los Angeles International Airport.

3:45 p.m. PST The Prime Minister of Japan and his party will depart Los Angeles aboard a United States Air Force special flight. (Five hours and thirty Minutes flying time; two hours change in time.)

7:15 p.m. HST Arrival at Honolulu International Airport, Honolulu, Hawaii.

7:30 p.m. Departure from the airport and proceed to the Kanraku Tea House, 750 Kohou Street.

7:50 p.m. The Japan-American Community will give a dinner in honor of Prime Minister Sato at the Kanraku Tea House.

Dress: Business suit.

Prime Minister Sato and his party will reside at the Royal Hawaiian Hotel.

SATURDAY, JANUARY 16

2:45 p.m. Departure from the Royal Hawaiian Hotel.

2:55 p.m. Arrival at National Memorial Cemetery of the Pacific where Prime Minister Sato will place a wreath at the Garden of the Missing.

3:10 p.m. Departure from the National Memorial Cemetery.

3:20 p.m. The Honorable John A. Burns, Governor of Hawaii, will give a reception in honor of Prime Minister Sato at the Governor's Mansion.

4:50 p.m. Departure from the Governor's Mansion.

5:10 p.m. Arrival at the Honolulu International Airport.

5:30 p.m. HST Prime Minister Sato and his party will depart Honolulu aboard Japan Airlines Flight 809 for Tokyo.

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