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E. JAPAN

1. The Trend in US-Japanese Relations

At the outset of the Johnson years in 1963, our relations with Japan were generally sound, as was evidenced by a viable Mutual Security Treaty which had survived the shock waves of leftist rioting attendant upon its ratification by the Japanese Diet in 1960, important trade relations in which each country was the foremost overseas trading partner of the other, and a number of cooperative programs in cultural and scientific fields. Reflecting their rapidly growing economic strength and restored self-confidence, the Japanese were expressing a desire for a more truly equal partnership with the United States. Certain aspects of the early postwar period were, however, still to be seen in Japan's hesitancy to open its doors to US economic competition or to undertake responsibilities

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as a member of the Free World consonant with its growing economic interests and capabilities.

A tradition of high-level personal exchanges had been established with the Eisenhower-Kishi and Kennedy-Ikeda meetings in Washington, and the Cabinet level US-Japan Committee on Trade and Economic Affairs which had met in Japan in 1961 and Washington in 1962. A Cabinet delegation headed by Secretary of State Rusk was on its way to Japan for the third meeting when news of President Kennedy's assassination necessitated its return to Washington.

2. US Policy Aims

US policy during this Administration aimed at strengthening US-Japanese ties and reshaping the partnership in consonance with Japan's increasing strength and capabilities. Continuing the "summit" diplomacy, President Johnson met with Prime Minister Sato in Washington in January 1965 and November 1967. The Prime Minister was one of the first foreign statesmen to visit Washington during the Johnson Administration. These meetings not only provided an opportunity for a frank discussion

of matters of mutual interest, but also exemplified the importance both countries attach to the US-Japanese relationship.^{1/} Meetings of the Joint US-Japan Committee on Trade and Economic Affairs were held annually, in January 1964, July 1965, July 1966 and September 1967. The US delegation was headed by Secretary of State Rusk and included all Cabinet level officials having economic dealings with Japan. A welcome trend was noted in the meetings from the earlier formal exchange of prepared papers towards a greater freedom of discussion of both economic and political issues.^{2/}

In the bilateral sphere, as two-way trade increased, the United States encouraged Japan to shoulder greater partnership responsibilities by abandoning its insistence on preferential economic treatment and by taking a hard look at its own

^{1/} Joint Communiques dated January 13, 1965 and November 15, 1967.

^{2/} Joint Communiques of the Joint US-Japan Committee on Trade and Economic Affairs dated January 29, 1964, July 14, 1965, July 8, 1966 and September 15, 1967.

security interests. For our part we moved in the direction of responding to Japan's growing sense of nationalism and pride by accommodating to the extent possible its interests in Okinawa and the other Ryukyuan Islands which we administered by virtue of Article 3 of the Peace Treaty, and by returning the administration of the Bonin Islands to Japan. Also in the bilateral field we extended greatly the scope of US-Japanese cooperative endeavors, exchanging scientific and technological information in many new and important fields including peaceful uses of atomic energy. On the international scene, the United States encouraged Japan in its efforts to enhance its role in bilateral and multilateral relations with other countries. We encouraged Japan to normalize its relations with the Republic of Korea and to assume a position of leadership and responsibility in Asian affairs through increased aid to underdeveloped nations and participation in multi-national organizations.^{3/}

^{3/} IRG-FE paper "The US-Japan Overall Relationship" March 16, 1966 (Approved May 27). ~~(SECRET)~~

3. Our Security Relations, 1963-68

During this five-year period US-Japanese ties in the security area became increasingly close. The ruling Liberal Democratic Party continued to voice strong support for the US-Japan Security Treaty; despite vocal criticism from the Left, the Japanese public apparently had no clear preference for alternatives to the Security Treaty for the defense of Japan. In recent years a serious public debate on national security has been conducted in Japan, the first since the war. Although this debate has by no means ended, the results to date have been interpreted by some observers as public approval of the Security Treaty. The Liberal Democratic Party has informally expressed the view that in 1970, when the Treaty becomes subject to revision or abrogation by either side upon one year's notice, the Treaty should automatically continue in force for an indefinite period. The United States maintains an identical position.

a. Security Consultations

During the early 1960's we continued periodic security consultations with the Japanese Government, largely designed

for public consumption. The most important forum for such discussions was the US-Japan Security Consultative Committee organized under the revised Security Treaty in 1960. The American Ambassador, CINCPAC, the Japanese Minister of Foreign Affairs and the Director of the Defense Agency participated in these meetings. Early in 1967, however, the Japanese approached us about holding more meaningful security consultations, including talks on some aspects of nuclear questions. We welcomed the Japanese initiative since it promised to provide us with a major opportunity to influence Japanese defense strategy before it was finally formulated -- to try to discourage a Japanese nuclear program, to encourage a broader regional role, and to develop a more tightly knit security relationship on the order of the relations we have with our key allies in Western Europe.^{4/}

The US-Japan Security Subcommittee meetings were inaugurated in Tokyo in May 1967. By late 1968 four additional meetings

^{4/} Memorandum from Assistant Secretary of State Bundy to Under Secretary Rostow, January 16, 1967 (SECRET).

had been held, approximately at three months' intervals. At these meetings the US side presented papers which dealt fully and frankly with such topics of particular interest to the Government of Japan as the Chinese Communist nuclear and advanced weapons program, Korean security, the Anti-Ballistic Missile question, the function of US bases in Asia, US assistance to Asian countries in the counter-insurgency area, and the future of Asian security in general. So far the Japanese largely used the Subcommittee meetings for gathering information, but increasingly it also became a medium for crystallizing their own views on Asian security matters. The close association enabled the United States to obtain a much clearer insight into Japanese security thinking, which was developing along lines remarkably close to our own.^{5/}

b. US Bases

Our bases in Japan continued to play a vital role in enabling the United States to live up to its regional security

^{5/} From Tokyo, Airgrams A-1738, June 27, 1967 (~~SECRET~~); A-315, September 8, 1967 (~~SECRET~~); A-1116, February 21, 1968 (~~SECRET~~); and the Department's Memoranda of Conversation, June 6 and 7, 1968, drafted by Mr. Scott George (~~SECRET/LIMDIS~~).

commitments in East Asia. During this period the bases provided effective logistical and communications support for our efforts in Southeast Asia. The naval bases at Yokosuka and Sasebo supported the operations of the Seventh Fleet. Following protracted negotiations with Japanese authorities, a US nuclear-powered submarine entered Sasebo in the fall of 1964.^{6/} Although the first few port calls were met by protest demonstrations, these visits eventually became routine. However, a leftist-inspired "radioactive contamination" scare in the spring of 1968 forced postponement of additional port calls during the year. This issue, one of the knottiest in recent US-Japanese relations, led to lengthy negotiations designed to create a regime which would minimize the chances of a repetition of the incident. Responding to political pressures, the Japanese Government was looking for ironclad assurances that we would not discharge reactor water in Japanese ports. We were unable to provide such assurances, but the Japanese Government hoped that visits could be resumed after its monitoring procedures were improved. The USS

^{6/} Embassy Tokyo Aide Memoire - Department of State Telegram 188979, January 20, 1964.

"Enterprise," the first nuclear-powered surface warship to visit Japan, called at Sasebo in January 1968 and was met by demonstrations but there were no serious incidents. Japanese police skillfully handled all demonstrations involving US bases, including protests connected with nuclear ship entries.

The United States has kept the Japanese Government closely informed about major movements of US forces out of Japan, as during the "Pueblo" crisis of 1968. As a result, we have been able to use our bases in Japan with considerable freedom, subject only to the limitations imposed by the Security Treaty to hold prior consultations with the Government of Japan before launching combat operations from Japan and introducing nuclear weapons into Japan. Although US bases contribute to irritations in US-Japanese relations, they are considered by most Japanese to represent a fair price for the US nuclear umbrella and other benefits of the close ties with the US.

c. "BADGE"

Concrete examples of closer cooperation between the

military service of the United States and Japan include improvements in the Japanese aircraft control and warning system and a new Anti-Submarine Warfare system. In December 1964 the United States and Japan signed an agreement for a cost sharing program to expand and convert the Japanese aircraft control and warning system to a semi-automatic air weapons control system (BADGE). It was planned that when the system became fully operational, sometime during 1969, it would be maintained, operated and utilized by the Japanese Government, and the data obtained therefrom would be made available to US forces engaged in the defense of Japan. The United States agreed to contribute 25 percent of the cost of equipment and services, not to exceed \$9 million, with Japan paying for all additional costs. Under the terms of a follow-on program for additional improvements the United States agreed to spend \$5 million, while the Japanese Government agreed to defray all additional costs.

d. "CORMORANT"

We also reached substantial accord with the Japanese

authorities for an agreement on the installation of ASW arrays in the Sea of Japan to monitor Soviet submarines. (Project Cormorant). The initial phase of this project has already been completed. The US contribution was to be the unique technology of the arrays, technical assistance in installing the arrays, and help in training Japanese personnel. The Japanese would provide the cables, naval support ships, and the personnel to man the land stations in Japan. The product of the arrays would be fed into the US Navy ASW intelligence net, while the United States would undertake to provide the Japanese with information on Soviet submarine activity in the western Pacific.

e. Japanese Self-Defense Forces

During the middle and later 1960s the Japanese Self-Defense Forces slowly improved their capability. Under Japan's second Five-Year Defense Plan (1962-1966) defense spending increased, but the defense share of the Government's total budget and of the GNP decreased slightly. The overall trends under the second Defense Plan continued under the third Five

Year Defense Plan (1967-1971). The third Defense Plan aimed at: (1) increasing Japan's defense costs to 2 percent of its GNP; (2) increasing the Ground Self Defense Force by 8,500 men to a total of 180,000; (3) modernizing the Maritime Self Defense Force and increasing its capability, especially in the ASW area; and (4) modernizing the Air Self Defense Forces, with the replacement of its obsolescent fighter and the updating of its air defense system (BADGE). Despite probable continuing qualitative improvement, manpower shortages are likely to keep all the defense services below authorized strength in the future.

Although Japanese defense planning has increasingly emphasized reliance on a growing domestic armaments industry to provide modern weapons, the Japanese continued to use considerable foreign, largely US, know-how in the form of co-production schemes and licensing arrangements. In October 1967, the United States completed negotiations for the co-production and sale of Nike and Hawk missile systems to Japan. The agreement, which was expected to be worth \$120 million to US

industry and the Government over the next few years, should significantly improve the Japanese air defense capability.

The thrust of the Japanese defense effort has dovetailed with US interests. Since Japanese constitutional constraints and popular sentiment realistically rule out a Japanese military role outside of her borders in the foreseeable future, the United States has considered that it would be most helpful if Japan developed her air and naval surveillance capability in the areas surrounding Japan to relieve the US of some of its burdens.^{7/} The Japanese emphasis on improved ASW and air defense capability will enable her to assume greater responsibilities. With the return of the Bonin Islands in June 1968, the Japanese military forces began to expand their surveillance activities southward.

4. Economic Relations

US-Japanese economic relations prior to 1963 were characterized by a large bilateral trade, Japanese dependence upon the United

^{7/} IRG/FE paper on Japanese Defense Forces dated May 27, 1966.

States as its largest overseas market, and heavy reliance upon US capital to finance Japan's trade and economic development. The years 1963-68 witnessed an acceleration of these same characteristics far greater than had been expected. At the same time, subtle but distinctive changes occurred in the relationship between Japan and the United States, reflecting the rise of the Japanese economy to third largest in the Free World, capable of being treated as an equal partner and competitor of the United States.

Total two-way trade of \$3.2 billion in 1963 grew to \$5.7 billion in 1967; and US exports to Japan during the same period increased by about 50 percent to reach \$2.7 billion. However, Japanese exports to the United States, spurred by Japan's burgeoning economy, growing US demands for Japanese goods, increasing sophistication of Japanese industry, and benefits from US overseas expenditures related to Viet-Nam, increased by over 100 percent to reach nearly \$3 billion. As a result, the traditional US trade surplus with Japan was

eroded and the balance swung into Japan's favor in 1965.

Japan's economic progress and export achievements were welcomed by the United States on their merits and as a fulfillment of post-war US policies, which had contributed to the establishment of an economically viable and free Japan on the rimland of Asia, economically, and therefore politically, tied to the United States. The growth of Japan's economic strength also contributed to increased Japanese confidence and interest in playing a more independent role in international affairs. This was reflected in expanded Japanese participation in international organizations and the institution of a growing and more effective Japanese foreign aid program.

These economic developments were in the interest of US long-range goals, since they were the underpinning for the total US-Japanese relationship. However, they also posed problems. Of these, one of the most important was the coincidence of Japanese economic and trade growth with the worsening of the US balance of payments. The United States, therefore, while keeping Japan's unique circumstances in mind,

encouraged Japanese efforts to achieve a greater sense of independence^{8/} and began to look to Japan to implement its new position in the Free World by assuming duties and responsibilities commensurate with its strength.^{9/}

a. Bilateral Agreements

In an effort to reduce frictions, the United States and Japan attempted to resolve a series of vexing trade problems and bilateral negotiations between 1963 and 1968, consequently reducing the number of pending issues. Among the more important results was the signing of a bilateral Civil Air Agreement in 1965. Under its terms, civil air relations were placed upon a post-war foundation of equality. The most important provision of the agreement permitted Japan Air Lines to extend its route to New York and beyond, while a US carrier extended its route to Osaka. It also provided for future

8/ Scope paper prepared for Fifth Meeting of the Joint United States-Japan Committee on Trade and Economic Affairs (1966) ~~(CONFIDENTIAL)~~.

9/ Scope paper prepared for Sixth Meeting of the Joint United States-Japan Committee on Trade and Economic Affairs (1967) ~~(CONFIDENTIAL)~~.

expansion of US air services to Japan.^{10/} Agreements were also concluded to improve conservation and minimize fishing conflicts, primarily concerning salmon, halibut and King Crab, in the North Pacific, particularly near Alaskan waters. In addition, Japan instituted voluntary export controls of price, quantity and quality on a number of commodities such as steel, transistor radios, sewing machines and ball bearings. These actions were taken in recognition of the need to avoid disrupting US markets and thereby stimulating protectionist interests in the United States.

The situation, however, was not static. The rapid growth of US-Japanese trade continued to create problems of adjustments for some of the more sensitive US industries. Bilateral discussions were thus continued throughout 1968 on expanding and instituting Japanese voluntary controls on such exports as ceramic tiles and steel. The ceramic tile problem, for example, was brought to a head by a petition to the Department

^{10/} Tokyo Airgram 304 dated December 24, 1965 (LIMITED OFFICIAL USE), "US-Japan Civil Aviation Negotiations."

of State in 1967 by ten Senators to initiate measures with Japan to correct the "economic crisis" which they said was confronting the US ceramic tile industry.^{11/} US efforts to resolve this type of problem received a setback in late 1968 when the United States, first by administrative action and subsequently by legislative sanction, acted to limit exports of softwood logs to Japan. The rationale given was that Japanese demand was causing inflated prices injurious to local mills in the Pacific Northwest and was affecting the adequacy of US timber supplies for domestic needs. The contrast between US interest in promoting exports to Japan, on the one hand, and of unilaterally reducing exports in a specific industry on the other, was not lost upon the Japanese.^{12/}

Aside from specific trade problems, the United States also maintained general but continuous pressure on Japan to (1) reduce the number of quantitative restrictions against

^{11/} Letters to the Secretary of State from Senator Lausche et al dated March 15, 1967 and June 13, 1967.

^{12/} Note of the Embassy of Japan dated September 11, 1968.

imports and (2) modify its highly restrictive procedures affecting direct investment by foreigners. These US concerns found expression in every joint communique issued at the end of the annual meetings of the Joint United States-Japan Committee on Trade and Economic Affairs, as well as in the communiqués released following the visits of Prime Minister Sato to Washington in January 1965 and November 1967. Progress on the issues was slow, but, in the context of historical Japanese concerns, it was significant and constituted a process of gradual erosion.

b. The Quantitative Restrictions Issue

The first major step in reducing Japan's quantitative restrictions occurred in 1964 as a result of Japan becoming a full member of the OECD. Computed in terms of 1959 trade, the share of imports not subject to QRs rose from 40 percent to 93 percent. The United States fully supported and encouraged Japan in its effort to achieve full OECD membership status for a number of political-economic reasons, including the expectation that Japan's exposure to multilateral pressures

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would result in liberalizing Japanese attitudes on trade matters such as QRs. Between 1964 and 1968, however, there was little increase in the computed share and virtually no reduction in the 124 items on which QRs were maintained. Over half of the restrictions were in agricultural products of great importance to the United States.

Strong bilateral and multilateral approaches for further liberalization of imports were, therefore, made at frequent intervals. The subject, for example, was discussed at the meetings of the Joint US-Japan Committee from 1963 through 1967 and was mentioned, although obliquely, in the communiques. US-Japanese bilateral consultations were also held in Geneva in 1965, a Working Party of the OECD (with US support) examined the question in March 1966, and a Subcommittee of the Joint Cabinet Committee discussed the question in Honolulu in January 1968. As a result of the Honolulu meetings, the Japanese agreed to increase quotas on approximately \$40 million of commodities and to eliminate QRs on nine items as one

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measure to assist the US balance of payments deficit.^{13/} Two of these QRs were removed in April 1968.

The process of negotiating revisions in Japan's structure of QRs was illustrated by the series of bilateral discussions held during 1967-1968 to liberalize Japanese imports of automobile engines and parts. Mr. Henry Ford II, Chairman of the Board of the Ford Motor Company, discussed Japanese restrictions with Vice President Humphrey in May 1967, and the Vice President assured Mr. Ford that the US Government would consult with the Government of Japan.^{14/} The Embassy at Tokyo began discussions which were continued at the meeting of the Joint US-Japan Committee on Trade and Economic Affairs in Washington during September 1967. At this Cabinet-level session, the Japanese reluctantly expressed willingness to discuss subsequently details of the auto problem. The United

^{13/} Memorandum of the Japanese Embassy in Washington dated March 1, 1968 (CONFIDENTIAL).

^{14/} Department of State Airgram A-68 to Tokyo, August 17, 1967 (LIMITED OFFICIAL USE).

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States was interested specifically in discriminatory road taxes, restrictions on the import of auto parts, and foreign investment in automotive operations, as well as tariff rates.^{15/} Congressional and business concern centered around the disparity between the relatively liberal import and non-restrictive investment treatment granted by the United States to Japanese autos and manufacturers, and the maze of restrictions maintained by Japan. The subject was particularly relevant because of the auto industry's active support of the Administration's liberal trade policy.

Former Under Secretary of State George Ball planned to lead the special US Government mission sent to Tokyo in December 1967, but when he was unable to go Ambassador Philip Trezise replaced him. The talks resulted in no specific commitments, but the Japanese did indicate willingness to take action on the problem.^{16/} The matter was discussed

^{15/} Presentation Paper JCT/A-12 (pp. 10-11) for Sixth Meeting of the Joint US-Japan Committee on Trade and Economic Affairs (1967) (LIMITED OFFICIAL USE).

^{16/} From Tokyo, Telegram 7759, December 14, 1967.

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further at the Honolulu meeting of the Joint US-Japan Subcommittee held in January 1968.

Since the series of talks seemed to be producing few concrete results, the United States decided formally to notify the Japanese on May 31, 1968, that unless Japan promptly removed illegal import restrictions the United States would take the issue up with the Contracting Parties of the General Agreement on Tariffs and Trade.^{17/} The Japanese then suggested that a solution be worked out short of taking the matter to GATT and several proposals and counterproposals were submitted. Agreement was finally reached on the basis of interim increases in Japanese import quotas for parts leading to full liberalization in 1972, unlimited licensing of imports of used cars and chassis fitted with engines, improvements in Japanese controls on investment for auto assembly and accelerated duty cuts on cars.^{18/}

^{17/} Department of State Telegrams 174850 (LIMITED OFFICIAL USE) and 174851 (CONFIDENTIAL), June 1, 1968.

^{18/} Two memoranda from Japanese Embassy in Washington to the Department of State, August 20, 1968 (UNCLASSIFIED and CONFIDENTIAL).

In the context of the Kennedy Round, Japan also stated its intention of liberalizing import quotas over the period 1968-72 on some twenty commodities. The Japanese action was unilateral and was not compensated for by the United States. The Kennedy Round also assisted US efforts by providing for sizeable Japanese reductions in certain tariffs.

c. Direct Investment

The second long-range economic problem that received continual attention was the problem of direct investment in Japan by foreigners. This problem, like trade restrictions, is rooted in historical Japanese concern over foreign influence. The US delegation to the Fifth Meeting of the Joint US-Japan Committee on Trade and Economic Affairs in 1966 requested a definite schedule of investment liberalization, and the Japanese delegation indicated that they hoped to have this by the time of the Sixth Meeting.^{19/} As a result, the Japanese Cabinet

^{19/} Joint Communique of the Fifth Meeting of the Joint US-Japan Committee on Trade and Economic Affairs (1966) (UNCLASSIFIED).

on June 6, 1967 adopted a foreign capital liberalization program. The program represented a limited first step in liberalization but offered neither immediate nor further assurances on future developments. The United States, therefore, at the Sixth Joint Cabinet Meeting, while welcoming the Japanese program as a statement of intentions, also urged the Japanese Government to review the program and make it more meaningful in the future. ^{20/}

As the balance of payments problem became more acute for the United States, it became apparent that the overall US deficit to Japan (\$906 million in 1967) would have to be curtailed. Agreement was therefore reached in 1967 and 1968 on Japanese actions to offset the cumulative effect of the bilateral trade deficit, US military expenditures in Japan and capital outflows. The Japanese assistance (in the form of longer term deposits in US banks, increased military procurement in the United States, reduction of commercial

^{20/} Joint Communique of the Sixth Meeting of the Joint US-Japan Committee on Trade and Economic Affairs (UNCLASSIFIED).

bank borrowing in the United States, and trade measures) ^{21/} amounted to \$230 million in 1967 and \$350 million in 1968. US pressures on Japan to extend this assistance were firm but informed Japanese also recognized that Japan's self-interest was involved, because of Japan's overwhelming dependence on the United States as a market and bank and Japan's own stake in defending the value of the dollar.

These facts had been vividly brought home in 1965 when the United States proposed the Interest Equalization Tax. Japanese officials and businessmen were shocked and the Japanese stock market virtually collapsed. Because of Japan's special position, the United States eventually authorized Japan to have a \$100 million exemption (with qualifications) from the IET. The exemption was subsequently renewed in consideration of Japan's efforts to assist the US balance of payments position.

^{21/} See Balance of Payments Steering Group Memorandum on Government of Japan Assistance, August 13, 1968 (CONFIDENTIAL).

Also contributing to amicable US-Japanese relations was Japan's continued membership in COCOM and adherence to COCOM regulations on strategic exports to Communist countries. Although Japan, for historical and cultural reasons, has long been interested in expanding its trade with Communist China, the paucity of solid trade opportunities in an unpredictable Mainland China resulted in an actual decrease in two-way trade between Japan and China in 1967 to \$557 million, about 2.5 percent of Japan's overall trade; and the downward trend continued in 1968.

5. Greater Japanese Role in International Affairs

As in other fields, the years 1963-1968 saw increasing fulfillment of previous US policies that had encouraged the establishment of an economically viable Japan able to play a role in the world, particularly in Asia, commensurate with its economic strength. During this period, the position of Japan as a protege of the United States began to change to one of equal partnership.

a. OECD and IMF

Two important and related events occurred early in April

1964 which symbolized the emerging role of Japan as an influential world power: the OECD accepted Japan as a full (and the only Asian) member, and Japan accepted Article VIII obligations of the International Monetary Fund concerning exchange transactions. The United States had supported Japan in both endeavors. Japan's status was also highlighted in 1964 by the hosting of the Olympic games in Tokyo.

b. Relations with Korea

A major breakthrough in Japan's external relations occurred in 1965 when Japan and the Republic of Korea signed a series of "normalizing" agreements providing for diplomatic relations. The United States privately encouraged normalization of Japan-Korea relations without taking a public stance likely to be counterproductive.^{22/} The Japanese understood our attitude.^{23/} During the negotiations we continued our

^{22/} Position paper dated January 5, 1965 prepared for Sato's first visit to Washington (~~CONFIDENTIAL~~); Memorandum of Conversation between Sato and Secretary Rusk dated January 12, 1965 (~~SECRET~~).

^{23/} From Tokyo Telegram 2462, February 8, 1965 (~~CONFIDENTIAL~~).

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private encouragement of favorable developments, but made no public comments on delicate matters -- an attitude appreciated by the Japanese Government.^{24/} Upon final conclusion of the Treaty,^{25/} a brief White House statement was, however, issued.

The Japan-Korea settlement also provided for conclusion of a variety of economic agreements, including (with subsequent additions) nearly \$1 billion in Japanese grants and loans. Thus, Japan's political and economic relationships with its most important former colony gained a firm legal basis.

c. Foreign Aid

The Japanese aid program per se began in 1962 as an outgrowth of a series of reparations agreements which Japan had during World War II. The aid program initially was modest and geared heavily to consolidating and expanding Japan's important trade interests in the less developed countries, particularly in Asia. Between 1963 and 1968, however, the program expanded

^{24/} Department of State Telegrams 2114 to Tokyo and 744 to Seoul, February 22, 1965 (~~CONFIDENTIAL~~). From Tokyo, 1430, October 19, 1965 (~~CONFIDENTIAL~~/LIMDIS).

^{25/} Department of State Telegrams 1753 to Tokyo and 586 to Seoul, December 17, 1965 (LIMITED OFFICIAL USE).

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rapidly and became more effective in composition and sophistication.

In developing its aid program, Japan looked initially to the United States as a model for procedures and techniques. The United States encouraged Japan in its endeavors, and the emphasis of both countries increasingly concerned the development of Asian regionalism.^{26/} The United States, however, also recognized that Japan would have to work out a number of problems in terms of its own interests and directly with the less developed countries by itself if its programs and relationships were to be most effective and thus contribute to our shared goals in the area.^{27/}

In quantitative terms, overall Japanese aid compared to 1963 increased over two and a half times by 1967 to reach a total of \$657 million. The increase in official credits, a more accurate reflection of Government policy, was nearly

^{26/} See Joint Communiqués from Joint US-Japan Committee Meetings 1963-1967.

^{27/} From Tokyo, Telegram 3769, December 5, 1967; Department of State Telegram 82393, December 9, 1967. Background Paper JCT/S-9 prepared for Sixth (1967) Joint Committee Meeting.

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171 percent.

d. Indonesian Relations

Japan also played a leading role in meeting the grave economic difficulties that Indonesia faced following the downfall of Sukarno in 1965. Tokyo took the initiative (with US support and encouragement) in organizing the initial meeting in Japan in September 1966 of a creditor group to reschedule Indonesia's debts, and the Japanese eventually accepted a generous rescheduling agreement. Japan also became a member of the Inter-Governmental Group (IGG) concerning aid to Indonesia and, along with the United States extended the equivalent of \$60 million in loans and grants to the Indonesian Government in 1967. In 1968, Japan increased its commitment to \$110 million (roughly equivalent to that of the US) in the face of considerable domestic opposition. The United States brought strong pressures on Japan to assume this burden during the early stages of IGG and Japanese-Indonesian negotiations.^{28/} The final decision, however, was the result

^{28/} Department of State Telegram 72324, November 20, 1967 (CONFIDENTIAL); Background Paper: Honolulu Meeting of Joint Economic Committee Subcommittee, January 24, 1968.

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of intensive and prolonged negotiations by the latter two countries. Other significant Japanese aid is going to Burma, Laos, Republic of China, Thailand, India and Pakistan.

e. Asian Regionalism

Coincident with the improvement of Japan's aid program was a recognition by Japan that its interests could be seriously affected by foreign political and economic instability, particularly in Southeast Asia. As a result, with support it became progressively more active in the field of Asian regionalism. It was symbolic that the first major post-war international meeting to be hosted by Japan was the Southeast Asian Ministerial Conference in April 1966.^{29/} The Meeting drew together key nations of Asia (without Western participation) in order to discuss common interests. Japan stated at the Conference that it intended to devote 1 percent of its national income to development assistance. The Conference was so successful that

^{29/} Draft Memorandum by Assistant Secretary of State Bundy for the White House, September 6, 1967, "Constructive Changes in East Asia and the Pacific since early 1964."

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it was thereafter held annually and became one of the major institutions of Asian regionalism. As an outgrowth of the Conference, a subsidiary meeting devoted primarily to agriculture was held in Tokyo in late September 1966. The major proposal to emanate from that meeting was to organize a special fund to develop agriculture in Asia; the proposal was later adopted into the concept of Special Funds as a part of the Asian Development Bank. Although the United States did not participate in these meetings, it thoroughly approved of them.^{30/}

A major initiative for the future of Asia was the establishment of the Asian Development Bank in Manila in November 1966. The Japanese played an early and major role in organizing the bank, and a respected Japanese financier became its first President. The Japanese capital contribution of \$200 million was equal to that of the United States. Japan was also the

^{30/} Joint Communique of the Fifth Joint US-Japan Committee on Trade and Economic Affairs.

first nation to commit part of a \$100 million pledge to the ADB Special Fund, and it displayed a forthcoming attitude towards other proposals designed to increase the vitality of the ADB. These efforts met with complete US support.^{31/}

Japan also strengthened its participation in a number of Asian regional organizations such as the Colombo Plan, the Mekong Development Committee, and the Asian Productivity Organization (whose headquarters are located in Tokyo). It agreed to contribute to the construction of the Nam Ngum dam in Laos and of the Prek Thnot project in Cambodia. The United States particularly welcomed the Japanese offer to raise its contribution to Prek Thnot after we found ourselves unable to participate.

Japan also took the initiative in forming the Asian Parliamentarians Union (APU) inaugurated in December 1965 in Tokyo. It is a charter member of the Asian and Pacific Council (ASPAC) organized in June, 1966 at Seoul, and has

^{31/} Joint Communique of the Sixth Joint US-Japan Committee Meeting on Trade and Economic Affairs.

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played an increasingly active role in this important regional political organization.

Japan's performance in improving and expanding its aid programs and in contributing to regional activities in South-east Asia was hampered by domestic economic and political problems, lingering World War II resentments in Asia, and Japanese Government organizational difficulties which prevented Japan from assuming the full burden that the United States felt it capable of undertaking. Nevertheless, progress was significant and, in the earlier perspective of Japan from 1952 to 1962, striking. While much of the progress was the result of changing conditions in Japan and within Southeast Asia, it is also clear that Japan would have been reluctant to undertake the steps outlined above had it not received continued assurances of general US support and long-term interest in Southeast Asia, abetted by occasional US expressions of interest in specific undertakings.

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6. Ryukyu Islands (Okinawa)

a. Background

Under Article 3 of the Peace Treaty with Japan the United States acquired full powers of administration, legislation and jurisdiction over the Ryukyu Islands, including Okinawa, which became the site of our principal military base in the Western Pacific. The Treaty does not oblige the United States to return these islands to Japan, but when it was signed the United States recognized that Japan retained residual sovereignty over the islands, a position which has been reaffirmed in succeeding years.

Continued US administration over the approximately 1,000,000 Japanese on these islands has long been a potential source of serious friction between the United States and Japan. The potential danger has grown as the Japanese have become more nationalistic and assertive of their independence, and have come increasingly to feel that it is not compatible with Japan's world position to have an important part of its

territory under US administrative control.

b. Achievements

In the period since 1964 the United States has obtained Japanese Government cooperation in maintaining a reasonable degree of acquiescence by the Ryukyuan and Japanese people in our administration of the Ryukyus through a policy of: (a) reiterating our intention to return administration of the islands, (b) accommodating Japanese interests in establishing a greater degree of identity between Japan proper and the Ryukyus and (c) accommodating to the maximum extent possible the Ryukyuans' desire for a high degree of local autonomy.^{32/}

At the time of Prime Minister Sato's visit to Washington in January 1965, President Johnson reaffirmed the US policy of returning the Ryukyu Islands "when security interests of the Free World in the Far East will permit realization of this desire."^{33/} During the Prime Minister's second visit, in November 1967, the two leaders again discussed Okinawa and

^{32/} SIG Paper "Our Ryukyus Bases" (~~SECRET~~).

^{33/} January 13, 1965 Joint Communique (UNCLASSIFIED).

the Ryukyus. The Prime Minister emphasized the strong desire of the Government and people of Japan for the return of administrative rights over the Ryukyu Islands and expressed his belief that an adequate solution should promptly be sought on the basis of mutual understanding and trust between the Governments and people of the two countries. He further emphasized that an agreement should be reached between the two governments within a few years on a date satisfactory to them for the reversion of these Islands. The President stated that he fully understands the desire of the Japanese people for the reversion of these islands. At the same time, the President and the Prime Minister recognized that the United States military bases on these islands continue to play a vital role in assuring the security of Japan and other free nations in the Far East.^{34/}

They agreed as a result of their discussions that, although return of the islands was not possible at this

^{34/} November 15, 1967 Joint Communique.

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juncture, "the Governments should keep under joint and continuous review the status of the Ryukyu Islands, guided by the aim of returning administrative rights over these Islands to Japan and in the light of these discussions."

In the meantime, the United States welcomed Japanese participation in our efforts to advance the welfare and well-being of the inhabitants of the islands. A Japan-United States Consultative Committee was established in 1964 in Tokyo, one of the functions of which was to raise Ryukyuan levels of public health, education and welfare by 1971 to the levels existing in comparable areas of Japan. In addition, there was subsequently established in Okinawa an Advisory Committee to the High Commissioner of the Ryukyu Islands, made up of representatives of the Governments of the United States, Japan and the Ryukyu Islands, the latter being a locally elected body empowered to legislate on a wide range of matters of domestic application. The new Committee developed recommendations which should lead to substantial movement toward removing the remaining economic and social

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barriers between the Ryukyu Islands and Japan proper.

During this same period, steps were taken to increase greatly local autonomy and the degree of authority enjoyed by the elected Government of the Ryukyu Islands. For example, provision was made for a popularly elected Chief Executive, the areas of competence within which the Legislature is empowered to enact laws were greatly broadened, and the selection of judges was turned over to the local government.

Backed by the US policy of "reasonable acquiescence" Prime Minister Sato has been able successfully to parry attacks from political elements which would have the Japanese Government demand immediate reversion. In addition he has not committed himself on the thorny question of whether in a post-reversion situation US bases in Okinawa should come under the provisions of the Mutual Security Treaty, which would affect its nuclear capabilities, and would limit the present free use of the base by requiring "prior consultation" in certain situations.

7. Return of Bonin Islands Administration

a. Background

The United States administered the Bonin Islands, like the Ryukyus, under the terms of Article 3 of the Peace Treaty with Japan, while recognizing that Japan held residual sovereignty. Unlike the Ryukyus, which include Okinawa with its important military bases, the Bonins were the site of only small, non-nuclear US military installations. Since the limited nature of our military base structure in the Bonins was generally known, it became increasingly difficult for the Japanese public to accept continued US administration, and the situation threatened to become a source of friction in US-Japanese relations. ^{35/}

b. Achievement

In order to remove the potential irritant inherent in continued US administration of the Bonins, and to provide a token of good faith that the Ryukyus would be returned when

^{35/} Department of State Position Paper, "Bonin Islands," November 9, 1967.

security factors permitted, the United States agreed to reversion of the Bonins. Announcement of the decision was made in the Joint Johnson-Sato Communique issued November 15, 1967, which stated in part:

The President and the Prime Minister also reviewed the status of the Bonin Islands and agreed that the mutual security interests of Japan and the United States could be accommodated within arrangements for the return of administration of these islands to Japan. They therefore agreed that the two Governments will enter immediately into consultations regarding the specific arrangements for accomplishing the early restoration of these islands to Japan without detriment to the security of the area. These consultations will take into account the intention of the Government of Japan, expressed by the Prime Minister, gradually to assume much of the responsibility for defense of the area. The President and the Prime Minister agreed that the United States would retain under the terms of the Treaty of Mutual Cooperation and Security between the United States and Japan such military facilities and areas in the Bonin Islands as required in the mutual security of both countries.

The reversion agreement signed April 5, 1968, provided for the Japanese Government to assume administrative responsibility

for the Bonin Islands; actual transfer took place on June 26, 1968. Under the terms of the agreement the United States Armed Forces retained the Loran stations on Iwo Jima and Marcus Island, the only military facilities on the Bonins desired by the Joint Chiefs of Staff. The Japanese Government agreed to provide the necessary services to these facilities, which now fall under the US-Japan Mutual Security Treaty on the same basis as other American bases in Japan.

The other United States military and weather facilities on the Bonins were taken over by the Japanese Self Defense Forces. The Japanese Government intends to maintain, and eventually to expand, those military facilities, and to assume gradually Anti-Submarine Warfare and other military responsibilities in the defense of the area.

The reversion agreement also provides for a general waiver of claims against the United States. In addition the Japanese Government gave assurances that the Iwo Jima memorial "will be preserved on Mount Suribachi and that United States

personnel may have access thereto".^{36/} Further the United States received confidential assurances that the question of emergency nuclear storage in the Bonins would be a subject for prior consultation under the Mutual Security Treaty^{37/} and that the Bonins reversion agreement does not constitute a precedent for the arrangements for any eventual return of the Ryukyus. Arrangements were made to assure that the return of the Bonins would not involve a balance of payments loss to the United States.

As anticipated, the return of the administration of the Bonin Islands was welcomed by the Japanese as a new bond of friendship between the two countries, and as a pledge of good faith by the United States that the Ryukyus would also be returned one day in the future.

^{36/} Letter to Ambassador Johnson from Foreign Minister Miki. (UNCLASSIFIED).

^{37/} Record of Conversation between Ambassador Johnson and Foreign Minister Miki. (SECRET).

8. Scientific and Cultural Cooperation

In the field of scientific and cultural cooperation new initiatives were taken in space activities, peaceful uses of atomic energy and medical science. In addition existing programs such as the US-Japanese Cooperative Program on Natural Resources Development, the United States-Japan Committee on Scientific Cooperation, and the US-Japan Conference on Cultural and Educational Exchange were continued and expanded to cover new fields of mutual interest.

a. US-Japanese Cooperative Program on Natural Resources Development (UJNR)

Background

This Program was started by a United States proposal made during the Third Cabinet-level meeting of the Joint US-Japan Committee on Trade and Economic Affairs in January 1964. As initially conceived, the cooperative Program involved:

(1) utilization of new sources of energy, (2) measures to counter adverse effects of ill health, and (3) development of unutilized natural resources.

Current subjects included in the UJNR program are desalination of sea water, air pollution, water pollution, energy, forage crops, toxic micro-organisms, national park management, mycoplasmosis, wind and seismic damage, protein resources, and undersea technology. Growth in cooperation is evidenced by addition of the last three subjects during 1967. Panels of United States and Japanese experts have been formed to concentrate on each of the subject areas.

Achievements

The UJNR is a government-to-government endeavor. The national government on each side has primary responsibility for program planning, organization and control. Participants in both countries, however, encourage and support non-national cooperation to the maximum extent possible.

Accomplishments of the UJNR up to late 1968 included: increased communication and cooperation among technical specialists; exchanges of information, data and research findings; some twenty study tours involving over 150 scientists

and engineers; three meetings of the Conference, a policy coordinative body; exchanges of equipment, materials and samples, and of hybrid seeds.

Study missions in several problem areas had already been conducted or were planned in 1968. The first meeting of US and Japanese Coordinators of cooperation in research and development for utilization of marine resources was held in Tokyo, July 29-August 3, 1968, in implementation of the joint communique of President Johnson and Prime Minister Sato of November 15, 1967, which had stated in part:

The President and the Prime Minister, aware of the increasing importance of the oceans as a source of food for the world's growing population and as a source of minerals, have agreed to seek ways of greatly expanding United States-Japan cooperation in research and in development of technology for the utilization of marine resources through the United States-Japan Conference on Development and Utilization of Natural Resources. For this purpose they have agreed that as part of the United States-Japan natural resources program, there should be prepared a report and recommendations to the two

Governments looking to cooperation between the two countries in this field.

b. The United States-Japan Committee on Scientific Cooperation

Background

The United States-Japan Committee on Scientific Cooperation, established in 1961, is a "consultative body" intended to explore ways to facilitate peaceful scientific cooperation between Japan and the United States. The Committee reports and, as appropriate, makes recommendations to the two Governments. American members of the Committee, designated by the Secretary of State, are eminent in the scientific community; Japanese members are in turn designated by the Japanese Government.

As its first meeting in 1961, the Committee decided to concentrate on: the promotion of the further exchange of scholars; the encouragement of more scientific information and materials exchanges; and the encouragement and the pursuit of joint research projects in certain specific scientific

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areas. (The scientific areas selected by the Committee included earth and atmospheric sciences of the Pacific, the biological sciences, and cancer research. Education in the sciences, hurricane and typhoon research, and pesticides research were subsequently added.)

Achievement

The early years of the program were largely devoted to development. The great majority of the scientific papers resulting from the program date from 1964. In 1966 the Joint Committee, meeting in Washington, reviewed its accomplishments and adopted a report on its activities and projects to that point -- the "Five Year Report". In his message to the Committee at that meeting, President Johnson noted that:

...after a half-decade of close working relationships, it is clear that the United States and Japan have established, through their Committee on Scientific Cooperation, a new path for cooperation among nations. This has been a truly joint program -- in geography, in funds, and in scientific dedication.

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Since its formation the Committee has met annually -- alternately in the United States and Japan. Its next meeting is scheduled to be held in Tokyo in July 1969.

c. The United States-Japan Cooperative Medical Science Program

The United States-Japan Cooperative Medical Science Program was established in January of 1965, as a result of an agreement between President Johnson and Prime Minister Sato. To implement the agreement the Secretary of State named a US Advisory Committee and the Japanese Ministries of Foreign Affairs and Education, Health and Welfare established a Japanese Advisory Committee. The resultant Joint Committee, composed of the two advisory committees, determined the scope of the cooperative medical science program as follows:

(1) the program concerns itself with diseases prevalent in Asia; (2) the area of Asia considered under this program is not rigidly defined, but it is understood that it may include the Republic of Korea on the north and India and Pakistan on the west, as well as other adjacent countries in the Pacific

region; (3) primary emphasis is placed on medical research as the basis for advanced knowledge necessary to effective action; (4) when public health activities become desirable as a result of the joint research program, the Committee may then recommend appropriate methods of implementation; and (5) the program operates initially within a bilateral governmental framework.

Since its inception the Joint Committee has met annually, alternately in the United States and Japan. In the most recent meeting in Tokyo, August 8 and 9, 1968 the members of the Committee reviewed progress to date and were pleased that definite advances had been made. They further determined to assure the continued high productivity by evaluating ongoing projects to determine whether they are producing results of sufficient value to the objectives of the program.

d. Space Cooperation

In the Joint Communique issued following their meeting in November 1967 President Johnson and Prime Minister Sato agreed that their two Governments should look more closely

into the possibilities of future cooperation in the space field, focusing on the development and launching of earth satellites for scientific research and peaceful utilization of outer space. Implementing this agreement in principle, Ambassador U. Alexis Johnson in January 1968 informed Prime Minister Sato that we were prepared to approve transfers of communications satellite technology upon assurances that such technology would be used for experimental systems, or for operationally domestic systems compatible with INTELSAT arrangements as they evolve.^{38/} Additionally the Japanese were told we were prepared to transfer unclassified technology for launch vehicle systems following the establishment of satisfactory arrangements regarding transfer of such technology to third countries. Our policy in this regard is based on the conviction that the Japanese are capable of developing such technology by themselves, and that a close relationship with the United States, while speeding such development, will

38/ Memorandum of Conversation, January 17, 1968
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provide us a greater opportunity to influence favorably the course of the Japanese program.

The Government of Japan has established a high level Space Development Commission which is presently formulating a reply to our offer.

e. Cooperation in Atomic Energy

A new 30-year Agreement for Cooperation in the Peaceful Uses of Atomic Energy was signed with the Government of Japan on February 26, 1968, and was brought into force on July 10, 1968. For Japan, the Agreement marked a major milestone in its efforts to meet its critical power requirements by the use of atomic energy. For the US this was an Agreement of special significance in that it provided for the largest amount of enriched uranium to be supplied by the United States to any single country (161,000 kg). The dollar potential return to the United States through the sale of uranium and enrichment services under this agreement amounts to approximately \$620 million.

Japan was the first of the US bilateral partners to agree to the transfer of the safeguards responsibilities under a bilateral agreement to the International Atomic Energy Agency (IAEA). On July 10, 1968 a new superseding US-Japan-IAEA agreement was entered into for the application of safeguards by the IAEA to the new US-Japanese 30 year Agreement for Cooperation. It will in time institute a major expansion of the Agency safeguards responsibilities.

f. Cultural Activities

Cultural exchange continued to foster increased understanding between the two countries. The biennial US-Japan Conference on Cultural and Educational Interchange (CULCON) met in Tokyo in 1966 and in Washington in 1968. At the Tokyo meeting the participants called for joint social science research which has since become a reality. The latest meeting provided for a Joint Permanent Committee of Nationals of the two nations to review cooperative programs and to advise on future directions of cultural exchange.

Various other programs in being were kept active. Examples include the Japan Labor Exchange Program which provides for two-way exchange of counterpart craft and industrial union officials; the Fulbright programs; educational TV exchange; and such regular meetings as the annual American Studies seminars in Kyoto.

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F. REPUBLIC OF KOREA

South Korea has been a particular protege of the United States ever since we freed it from alien rule at the end of World War II. As a key nation on the Asian mainland, close to the vast bulk of Communist China, South Korea's security and attainment of prosperity have been of primary concern to us as an important means of showing the US aim of helping build a stable, free world. This aim was being reasonably well achieved with regard to South Korea at the time when this history opens. There were, however, problems.

1. 1963: The Return to Civilian Government

On November 26, 1963, the Korean people elected a new National Assembly of the Republic of Korea (ROK), thus completing the last preliminary to a return to civil government after more than two years of rule by the military junta which had seized power by coup d'etat on May 16, 1961. The election was held in the absence of the junta leader and President-elect, Park Chung Hee (Pak Chong-hui), who was in the United

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States to attend the funeral of President Kennedy. Park had been elected President on October 29, 1963, but his inauguration, and the formal transition to civilian government, did not take place until December 17.

a. Background of US Intervention

The return to civilian government was the direct result of US diplomatic intervention. In the preceding March, Park, then a General in the Army and Chairman of the Supreme Council for National Reconstruction, had announced that in view of the confusion within his own Democratic-Republican Party (DRP) and the inability of the opposition civilian politicians to reconcile their differences, Korea was not ready for elections, hence the election already scheduled for spring 1963 would be postponed and the military government would remain in office for four more years.

General Park apprised our Embassy of this change of plans, the night before he made his announcement, and ignored our request that no announcement be made until we could give him our considered position. There was, however, no doubt

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about the US view of his proposal; an extension of the military government was unthinkable. We knew much of the earlier popular support for the military government had vanished, that the junta was fragmented, corruption increasing, and inflation worsening. Park personally still commanded a measure of public support as well as support in military circles, but even this was disappearing fast. While we did not know whether an election would bring stability, we did know that extending the military government would bring upheaval, division, and probably bloodshed.

Immediately after Park's announcement, US officials consulted with Park and a few other key figures in the government to urge them to abandon this course. Both Korean military and civilian leaders were aware that the United States opposed such a course; and Washington issued a low key public statement calling on Park and the civilian leaders of the opposition to work out a solution to the crisis.

Despite the US pressure no agreements were reached, and in April Park informed us through intermediaries that, pursuant to his original plan, on the following day he would

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announce the date of a referendum for the extension of military government. We let him know that within an hour of such an announcement the US Government would in turn announce that his US support had been predicated on the fulfillment of pledges given to the Korean people and to us to hold elections and restore civil government. If these pledges were not fulfilled, we would be forced to reexamine our attitude toward Park's regime. Correctly understanding that this was a threat to withhold economic aid, Park backed down, and a few days later announced that, if by September the situation had calmed, elections would be held in the fall.

b. The Election

Park then resigned his Army commission and entered the election race as a civilian candidate. Thereupon opposition politicians renewed their efforts to form a single party behind a single candidate, but their efforts failed, and two major and four minor party candidates finally emerged to face Park. We resisted strong pressure from the opposition, which desperately wanted American support, making it clear to them as well as Park that we were completely neutral in the

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election and would support and work with the victor.

After a vigorous and bitterly fought but free campaign, Park was elected with 42 percent of the vote -- defeating his principal opponent by the slim margin of 156,000 votes.

The opposition parties pursued their separate courses into the National Assembly election and paid the price for disunity by going down in defeat. With only 33 percent of the vote, the DRP won, with their proportional bonus, 110 seats out of 175.

c. Problems Confronting the Republic of Korea

The new government which resulted from the October and November elections confronted several major problems in which the United States had a direct interest. One was the question of normalization of relations with Korea's ancient enemy, Japan. Given the public opposition in both Korea and Japan to such an agreement, it was obvious that its achievement would require the highest authorities of both countries to stake their personal standings on the outcome. This was particularly hazardous in the ROK, where the government had failed to develop public support for even as advantageous a

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settlement as that contemplated in 1963.

Both the ROK and Japan stood to benefit from a normalization of relations. The ROK desperately needed not only the grants but also the general economic stimuli which Japan could provide. Since the United States believed that Korea must be kept in friendly hands, and that economic disaster would endanger if not destroy the chances for survival of a friendly ROK Government, we determined to facilitate conclusion of the agreement.

A second major problem was that involving one of the primary irritants to US-ROK relations, the lack of a Status of Forces Agreement. Although a pledge to negotiate such an agreement under Article IV of the Mutual Defense Treaty had been made in 1953 by Secretary of State Dulles in a joint statement with President Syngman Rhee, and the assurance had been repeated several times, negotiations had not begun in earnest until September 1962. By the first of November 1963, nineteen articles were still to be negotiated.

The third major problem in late 1963 was that of the Korean economy. This was almost totally dependent upon aid

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from the United States, which by the end of 1961 had reached the staggering total of \$4.62 billion (\$3.056 billion for economic and \$1.564 billion for military aid). Most of this aid had been required simply to keep Koreans alive and to reconstruct their country out of the devastation left by the War. Much had been accomplished, but our aid was still running at the rate of some \$270 million a year; and many American officials were predicting that "Korea would never be off the dole." A great many, if not a majority of Koreans shared this pessimism.

d. Korean Morale

In fact, the almost universal mood of Koreans in every walk of life was doubt about their own and their country's future and an almost psychopathic fear of reduction or discontinuance of US economic aid. They felt that any efforts they might make for a just and prosperous society at home would end only in failure. When they looked abroad, they were again reminded of the highly strategic geographic position which had caused them, a small and poor nation, to be continually subjected to conflicting pressures from their giant

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neighbors, Russia, China, and Japan.

Challenged by the ruthless, aggressive North Korean regime, at odds with Japan, possessed of a large population but few natural resources, the new ROK Government had reason to face the future with foreboding.

2. US Economic Assistance

a. Situation in 1963

By November 1963 Korea had largely recovered from the devastation of the Korean War. Reconstruction was virtually complete, and a high investment in infrastructure projects had laid a base for further economic progress. The nation, however, was still essentially agricultural. GNP, per capita income, exports, and foreign investment were very low; imports, reliance on US economic assistance, inflation, and the birth rate were high. Some major economic indicators of economic development had been inching up, but the dramatic surge of the economy which was to mark Korea as a prime example of a successful economic development program had not yet started. Many Koreans were skeptical of its ever starting, skeptical of ever being able to snip the umbilical cord of US aid. But

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despite unsolved problems, the ROK was poised, ready to move forward toward economic independence, growth, and stability.

b. Stabilization Program

Decisions to balance the budget, devalue the exchange rate, and reform the interest rate structure were three historical steps toward a degree of stability previously unknown in the Korean economy. Much of Korea's subsequent phenomenal economic progress stems from them. US influence in bringing about these policy decisions was significant.

When the military government came to power in Korea in 1961 there had been a financial stabilization agreement between the US and the ROK which the military government, preoccupied with consolidating its position, chose to ignore. The United States did not press for fulfillment, and the program lapsed. Inflation, however, was so bad by 1962 that the Director of USOM/K began to pressure the military government to reduce its budget. The purpose was two-fold: to try to stave off a mounting inflation and to keep the government's share of the economy from becoming too large.

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In 1963 Korea took the first major step towards stabilization--removing the overall fiscal deficit. This was done principally by making temporary cuts in capital and administrative expenditures and by keeping the expansion in current expenditures down. The financial stabilization policy was implemented in stages by exchanges of letters between the Director of USOM/K and the Chairman of the Economic Planning Board and took the form of annual financial stabilization programs. The program was also used as a means of forcing the ROK to put some of its government-owned companies on a sounder financial basis. In 1964 the agreement called for the Korea Electric Company and the Dai Han Coal Corporation to raise their rates. Evidence that the AID program was used as leverage to ensure compliance with the stabilization program is contained, for example, in the 1964 stabilization agreement, in which the USOM/K Director notes that major problems still exist and that "It is therefore difficult to reach a definitive conclusion concerning release of any part of the remaining FY 1963 funds at this time."

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c. Exchange Rate Reform

Inflation had existed since 1953, and the situation had greatly worsened under the military government. There had been a devaluation in 1961, but this did not check inflationary pressures for long, and the wholesale price index soared eighty-two percent from the end of 1960 to the end of 1963. In mid-1963 it was clear that the won was again vastly overvalued and that action to ward off rampant inflation and collapse of the economy was imperative. Regarding devaluation, the problems were of timing, degree, and form.

With elections scheduled for the fall, and given the precariousness of the recently instituted economic stabilization program, our Embassy believed that full-scale devaluation in 1963 would be a signal for intense speculation and that prices would quickly rise to wipe out any competitive margin that might be temporarily created. It estimated that if the Government behaved rationally after the election, 1964 would be the earliest time at which it would consider devaluation.^{1/}

^{1/} From Seoul, Airgrams A-1097, June 28 and A-318, October 18, 1963 (~~SECRET/LIMDIS~~).

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The National Advisory Council was requested to establish on an urgent basis an interagency working group to make a thorough study of the Korean exchange system and rates.^{2/} Policy guidelines and considerations began to take shape in late October and early November, including a decision not to consult with the IMF, to negotiate bilaterally with the Koreans and then to have the Koreans seek IMF approval of an exchange rate system previously agreed on with the US.^{3/} The rationale for the decision was to ensure that the Koreans would continue to derive the maximum benefit from the AID program.

The NAC study, which was completed in February 1964, advocated early negotiations with the ROK to establish a unitary and fluctuating exchange rate.^{4/} Negotiations were carried on during March and April; on May 2 President Park

^{2/} Department of State Telegram 331 to Seoul, October 21, 1963 ~~(SECRET/LIMDIS)~~.

^{3/} Memorandum, Assistant Secretary of State Hilsman to the AID Administrator, November 8, 1963 ~~(SECRET)~~.

^{4/} National Advisory Council Action 64-57, February 17, 1964 ~~(SECRET)~~.

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announced the devaluation.

d. Interest Rate Reform

Until the reform of the interest rate structure in 1965, Korea's interest rates on time and savings deposits were substantially below rates in the unorganized money market, and bank lending rates were maintained at abnormally low levels under a law limiting interest rates. A way was needed to help mobilize savings and to channel them into organized financial markets where they could be invested more intelligently.

In September 1965 the ROK Government undertook a major reform of its interest rate structure; the results were impressive. Interest rates were raised to a more realistic level, and the amount of private earnings placed in financial institutions rose dramatically. Because the financial institutions have a higher degree of financial experience than does the unorganized money market, presumably the change also led to a better allocation of savings to productive investments.

The decision to revise the interest rates was a difficult one for the Koreans to make. A report done under the auspices

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of AID, however, precipitated final action and in fact was instrumental in winning over the Deputy Prime Minister, who had consistently opposed any raising of interest rates.

e. Growth

Statistics testify to Korea's phenomenal economic growth in this period, but equally important is the testimony of faith in the Korean economy by the US Government, foreign businessmen, and the Koreans themselves. From two meetings between President Johnson and President Park sprang two important programs, both signifying that Korea had attained a degree of political and economic stability that made the programs feasible:

(1) The Korea Institute of Science and Technology (KIST)

During the course of discussions in Washington in May 1965, President Johnson and President Park mutually concluded that there was an opportunity and need for establishing a new entity in Korea with the purpose of applying science and technology to the development of industry and the economy. The President therefore offered to send his Science

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advisor, Dr. Donald F. Hornig, to Korea to explore the possibilities for US cooperation in establishing an institute for industrial technology and applied science.

Initial ROK planning for the institute tended toward the grandiose and went far beyond that envisioned by the United States. ^{5/} By early June 1965, however, Dr. Hornig had set out some important guidelines for US thinking on the project, and these prevailed. Hornig believed that the institute should be an autonomous entity, free from control by either government or university administration, and that it should concentrate on relatively few fields and only broaden as it demonstrated ability and achieved excellence in selected areas. The ROK, on the other hand, had in mind a government institute to coordinate research in pure and applied sciences in a wide variety of fields.

The first step towards actual implementation of the agreement for the science institute was Dr. Hornig's visit to Korea

^{5/} From Seoul, Telegram 1280, June 5, 1965 ~~(CONFIDENTIAL)~~.

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in July 1965, along with a group of technical experts, to assess local conditions and problems and to determine what could realistically be done to bring the two presidents' idea to fruition. AID subsequently signed a contract with Battelle Memorial Institute (BMI) to determine the feasibility of the project and to outline the assistance that would be required in the early organization of KIST. BMI found the project to be feasible, and the United States and Korea signed an agreement for establishing KIST. In a joint press release issued at the time of signing, President Park characterized the undertaking as "an exciting new venture that can lead Korea to national excellence in science and engineering and, through its broad programs, make invaluable contributions to Korean industrial development."

(2) The Ball Mission

At the time of President Johnson's visit to Korea in 1966, the joint communique issued on November 2 contained an agreement between the two presidents for an early exchange of missions designed to promote expansion of US-ROK trade and of private American investment in Korea. This led

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to the so-called "Ball Mission," which did much to publicize Korea, in the United States and elsewhere, as a land ready and eager for foreign private investment, and which undoubtedly heightened American businessmen's interest in Korea.

Planning for the mission started almost immediately. It was to be privately sponsored and organized, with the US Government paying no direct costs, but with the full organizational and publicity support of the Department of State and AID. Of prime importance for maximum impact and results would be its composition. By mid-November the Embassy and USOM/K had developed the main criteria for its membership. The group would need to be broadly representative of American companies, but limited to those with possible interest in investing and trading in Korea--preferably with senior members who had personally indicated a desire and willingness to explore such possibilities. Generally, membership in the mission was to be geared not only to American companies that would derive particular benefit from utilization of Korean resources but also to those whose trade and investment efforts would have a multiplying effect in the dispersion of knowledge about Korea's

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prospects and potential.^{6/}

There was agreement that the mission should be led by a prominent personality. Washington's thinking was that it should be a well-known and internationally recognized business or financial "statesman."^{7/} Under Secretary of State George W. Ball was ultimately selected, and President Park was very pleased with the choice. The "Ball Mission" was publicly announced in a joint press release on December 15, 1966, and visited Korea the following March with gratifying results.^{8/}

f. Phase-out of US Influence and Aid

Concomitant with growing economic prosperity in Korea has gone a growing sense of confidence of the Korean people in themselves and their ability to handle their own affairs, and

^{6/} From Seoul, Telegram 2588, TOAID 1083, November 12, 1966 (LIMITED OFFICIAL USE).

^{7/} Department of State Telegram AIDTO 895, to Seoul, November 29, 1966 (~~CONFIDENTIAL~~).

^{8/} See Department of Commerce International Commerce August 7, 1967.

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a recognition of this by the United States.

In a letter to Assistant Secretary Bundy in 1966, Ambassador Brown noted the special relationship the United States has had with Korea and the pervasiveness of American influence in Korea. He recognized, however, that that intimate and special relationship, "so pervasive and so all embracing" could not be expected to continue, nor indeed should it continue, as the process of economic growth, political maturity, and international competence proceeds.^{9/} US policy then as now was to see that the Koreans should plan and administer their development program wisely, to moderate, guide and, in some cases, prevent the worst follies--a continuing task of giving quiet advice and seeking to strengthen Korean processes for investment planning and project selection.^{10/}

A conscious element of US policy was that of stressing the need for increased Korean initiative and responsibility.

^{9/} Letter to Assistant Secretary William P. Bundy from Ambassador Winthrop G. Brown, August 26, 1966 (~~SECRET~~).

^{10/} Letter to Assistant Secretary William P. Bundy from Ambassador Winthrop G. Brown, December 30, 1966 (~~SECRET~~).

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Withdrawal of the all-pervasive US influence would be a slow and delicate process; but Ambassador Brown's impression was that "a new climate of beliefs and attitudes was beginning to emerge in Korea; ...transformation of the Korean national attitude from one of doubt and dependency to one of increasing self-confidence and hope...has since deepened and become even more of an influence on national and individual action." ^{11/}

US assistance to Korea had been declining since 1956 when it reached its peak; in 1968 a decision was made to phase out supporting assistance and program loans by 1971. ^{12/} As early as 1965 Ambassador Brown had noted that the Koreans had begun to reconcile themselves to a continuing reduction in US assistance. Whereas their constant preoccupation in 1964 had been with the amount and character of US aid, and their attention had been focussed on the declining amount of aid, in November 1965 even the opposition press reported without comment announcements by AID officials that supporting assistance

^{11/} Ibid.

^{12/} Department of State-AID Program Memorandum FY 1970 - Korea - July 1968 (~~CONFIDENTIAL~~).

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would steadily decline and in a few years would be unnecessary.

g. Korea's Emergence into International Economic Affairs

Our Ambassador had observed in 1966 that Korea, the hermit nation, had "traditionally been a country which looked backward rather than forward, looked inward rather than outward, evaded or deflected relationships with other countries rather than initiated or influenced them." All of this had changed rapidly, he wrote. Korea now believed that it had both the ability and right to raise a voice in Asian policy--political, military and economic; and its ventures had added greatly to the Korean sense of self-confidence and independence. In addition to having initiated an international activity for the first time in its history (ASPAC), Korea had welcomed and sought opportunities to join international economic organizations, the Asian Development Bank in 1966, the INTELSAT in 1967, and the General Agreement on Trade and Tariff in 1967. Our Ambassador concluded: "Thus, to a new self-confidence has been added a new outlook and a new attitude toward the outside world in which Korea now conceives of herself as playing an important

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3. Normalization Agreement with Japan

From the time negotiations began in 1951, we had stressed to the Japanese and ROK Governments the desirability and importance of a normalization agreement--at the same time recognizing that any settlement had to be worked out directly and entirely by them. While the United States sought to avoid aggravating suspicions that we favored one side against the other in the negotiations, behind the scenes we pressed both countries to achieve a settlement.

By the end of 1963 the foundations for a general settlement had been laid, but it was obvious that numerous unresolved problems, especially Korean domestic opposition, might hold up an overall agreement or even bring the discussions to an end. In February 1964, with a view to renewing the momentum, Secretary Rusk called in both ROK Ambassador Kim Chung-yul and Japanese Ambassador Ryuji Takeuchi and asked them to convey to their governments his hope that the necessary technical

13/ Letter, August 26, 1966, op. cit.

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and political talks could now be scheduled in order to reach final agreement in time for ratification before the end of the current session of the Japanese Diet. The Secretary also reminded Kim that President Johnson had told President Pak in November that the settlement would be a major contribution to the stability of Northeast Asia.^{14/} The talks were resumed shortly after this.

Unfortunately, Korean opposition groups reacted strongly against the renewal of the negotiations and mounted nation-wide protest rallies. On March 27 the National Assembly passed a resolution which, by setting impossible conditions, would have effectively blocked any agreement. Despite its majority in the Assembly, the Government was too weak to stop the resolution, and continuing demonstrations forced it on March 30 to announce a "cooling off period." This meant suspension of the negotiations.

Despite this setback and the continuing demonstrations, we renewed our pressure on the Koreans to move ahead with the

^{14/} Department of State Telegram 758 to Seoul, February 28, 1964 ~~(SECRET)~~.

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talks. On April 9 President Johnson expressed to Korean Prime Minister Choi Doo Sun our earnest hope for normalization of ROK-Japanese relations and reaffirmed the US hope that the talks could move along to a successful solution.^{15/}

We also made the US position on the talks very clear to the Korean political opposition. On May 6 Ambassador Samuel D. Berger explained the US views to opposition leader Yun Po-son, pointing out that although a settlement required national support, the opposition had nevertheless turned down the government's proposals for bi-partisan action and had made a political issue of the matter.

Likewise, we reminded the Japanese on May 22 that we remained intensely interested in the progress of the talks and hoped that they could be continued as soon as possible. We also expressed to the Japanese our misgivings at the prospect of a visit to North Korea by a group of Japanese parliamentarians. We felt that such a visit by members of the ruling party would play into the hands of Korean opponents of

^{15/} Department of State Telegram 918 to Seoul, April 9, 1964 (~~CONFIDENTIAL~~).

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the settlement.

Continued demonstrations in Korea against the talks forced an imposition of martial law on June 4. This was lifted on July 28 despite evidence that Yun Po-son and his group were determined to pull down the Pak Government whenever the situation permitted.

The arrival in Seoul in August 1964 of a new US Ambassador, Winthrop G. Brown, provided President Johnson with an opportunity to urge President Pak to reopen negotiations, and to stress the risk of further delay. Ambassador Brown in his arrival statement mentioned US hopes for an early settlement and presented the President's message on August 18, having used a stop-over in Tokyo to impress a similar message on the Japanese.^{16/} The Ambassador subsequently reported that the Pak Government earnestly desired to complete the negotiations as soon as possible, but faced a grave problem in attempting to do so without jeopardizing its own existence.

^{16/} Department of State Telegram 97 to Seoul, August 2, 1964 ~~(CONFIDENTIAL)~~.

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At this time we began to press the Japanese to fall in with a plan for a visit to Korea by former Prime Minister Shigeru Yoshida, one of the very few Japanese who commanded respect in Korea. We were convinced that a successful visit by Yoshida would ease anti-Japanese feelings in Korea and materially assist the Pak Government in coping with its domestic opposition. The Japanese demurred on the ground that the time was not yet ripe.

On October 3, we sought to strengthen the Pak Government's hand vis-a-vis public opinion by a joint communique issued following a meeting between the Korean Foreign Minister, Yi Tong-Won, and Assistant Secretary of State William Bundy, in which we affirmed our support for the talks and expressed the hope that Korean public opinion would recognize the national interest on a supra-partisan level.

With this backing, the ROKG told the Japanese that they would like to resume full-scale negotiations in mid-November and invited the new Japanese Foreign Minister, Etsusaburo Shiina, to visit Korea before that time. We let the Japanese know that we favored the visit, and at the same time we

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continued to recommend to the Koreans that they release a number of Japanese fishing boats and their crews which had been apprehended for intruding into Korean waters. The Japanese had stated that Shiina could not visit Korea until they were freed. The US persuasion obtained ROK consent in mid-November, and the Japanese agreed to the Shiina visit. On December 3 the talks were resumed, the boats and fishermen released, and Foreign Minister Shiina announced that he would visit Korea early in 1965.

Shiina's arrival in Korea on February 17, 1965 took place against a background of grave threats to the talks by Yun Po-son and his followers and by the Japanese Socialist Party. Nevertheless, through Shiina's astute handling, the Korean public responded sufficiently favorably to make the visit more successful than had been expected. On February 20 a treaty on basic relations between Korea and Japan was initialed.

On February 26 Yun Po-son called on the Koreans to rise and overthrow the Pak Government, and opponents of the talks in both Japan and Korea resumed their activities with renewed vigor. Nevertheless, we maintained steady pressure on both

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parties to continue negotiations, and on April 2, 1965, they initialed agreements on claims, economic cooperation, fisheries, and the legal status of Koreans in Japan. This triggered new outbursts against a settlement. On April 17, Yun Po-son strongly implied to Ambassador Brown that the Korean public would turn against the United States if we continued to support the talks. The Ambassador replied that it was US policy to deal with and support the legally elected government, and he indicated that we would not be deterred by threats of this character.^{17/}

Some months earlier we had invited President Pak to make a state visit to the United States in May in order to give him the support he needed to maintain his government against opposition attacks and to carry through the Japanese settlement.^{18/} Despite repeated urgings on our part that the agreement be concluded before the visit, the talks were still

^{17/} From Seoul, Telegram 1025, April 17, 1965
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^{18/} Department of State Scope Paper, May 3, 1965
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dragging on when Pak arrived in Washington May 17. His visit was nevertheless a major success, strengthening his domestic position. The joint communique confirmed that the United States would continue to extend military and economic assistance, enabling Pak to silence critics who had claimed that we desired the treaty in order to shift our responsibilities in Korea to the Japanese.

When the talks nevertheless still failed to pick up momentum, we instructed our Embassies in Seoul and Tokyo on June 12 to make representations in the President's name urging the early conclusion of the agreement.^{19/} During his presentation to President Pak, Ambassador Brown learned that the President had already authorized conclusion of the agreement and had devised a formula to overcome the final sticking point, the question of Tokto Island. At Pak's request, Ambassador Brown passed the formula through our Embassy in Tokyo to the Japanese. The latter found it acceptable and

^{19/} From Seoul, Telegram 1272, June 12, 1965 ~~(SECRET)~~.

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on June 22, 1965, the Korea-Japan normalizational agreements were signed.

On August 14, 1965, the Korean National Assembly ratified the agreements 110 to 0 in the absence of the opposition members, who had previously submitted their resignations in an attempt to prevent ratification. Student demonstrations against the agreements were repressed by the government. Japanese ratification followed, and on December 18 the ratification instruments were exchanged in Seoul.

Throughout this period the United States scrupulously avoided taking a position on the specific questions at issue and refused many Korean requests to act as mediator, generally or on specific issues. The most that we ever did on such issues (except, perhaps, that of Tokto) was to indicate on occasion to one side that the other found a particular demand too extreme, and to imply without saying so that we had some sympathy with this point of view. The main US role, in Korea at least, was one of unswerving support for the efforts of the Foreign Minister and President Park to carry on with the negotiations despite periods of serious discouragement.

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4. US-ROK Status of Forces Agreement

The US and ROK Governments opened negotiations September 20, 1962, for a Status of Forces Agreement (SOFA), beginning, at our suggestion, with the less complex and less controversial items. By November 1, 1963, agreement had been reached on twelve relatively minor articles.

From the tactical and psychological point of view we believed it preferable to work from a US rather than a Korean draft, and we used as a model the basic NATO SOFA, tailored to fit the particular situation. As finally agreed upon it provides that the United States will bear the expenditures for the maintenance of its forces, while the ROK Government is responsible for providing facilities, areas and rights of way. US Forces and civilian components retain important privileges with respect to freedom of entry and exit and exemption from customs duties and local taxes.

On February 14, 1964, the negotiators began work on the criminal jurisdiction and labor articles which, together with the claims article, were the core of the Agreement and its most sensitive and controversial sections. Negotiations continued slowly but without significant interruptions for the

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next fifteen months.

In our negotiations on the criminal jurisdiction article, we had from the outset recognized the importance of dealing with the ROK on a basis generally equivalent to that on which we dealt with the Republic of China and the Philippines, with whom we were simultaneously conducting SOFA negotiations. In addition, the Koreans were very sensitive about the relative merits of the Japanese SOFA and the agreement we were negotiating with them. The question of even-handed treatment was particularly important in early 1965, when we were asking the Koreans (as first-class allies) to participate to a greater extent in the struggle in Viet-Nam.^{20/} In any event, our actions relating to the SOFA were designed to assist the ROK to evolve from a client state into a self-reliant and self-confident ally as well as to settle a problem of major importance between us.

The United States desired the NATO-German criminal

^{20/} From Seoul, Airgram A-416, March 3, 1965
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jurisdiction formula, under which the ROK would have automatically waived primary jurisdiction in advance and would have had to notify the US authorities in each case in which it wished to exercise that jurisdiction.^{21/} The Koreans desired the NATO-Netherlands jurisdiction formula, under which the US authorities would have to request the ROK to waive its primary right of jurisdiction in each individual case. A formula derived from the Pakistan arrangement provided the grounds for an acceptable compromise, final agreement on which was reached on May 19, 1965, during a meeting in Washington between President Johnson, President Pak, and Secretary Rusk.^{22/} The NATO-Netherlands formula was written into the body of the agreement, but in an exchange of letters supplementing the text, the ROK agreed that the US military authorities would have jurisdiction in all cases except those of "particular importance to the ROK." Thus, the substance of the German

^{21/} Department of State Circular Airgram CA-7629, January 31, 1964 (~~CONFIDENTIAL~~).

^{22/} Department of State Telegram 1168 to Seoul, May 19, 1965 (~~CONFIDENTIAL~~).

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formula was preserved in a form politically palatable to the Koreans.

Agreement on the labor article was also reached on May 19, 1965, during the meeting between President Johnson and President Pak referred to above. The SOFA was signed by Secretary Rusk on July 9, 1966, in Seoul, was ratified by Korea October 14, and went into effect February 9, 1967.

5. South Korea and the Viet-Nam War

a. The Mark of Self-Confidence

In the perspective of ROK growth and development, the Korean troop deployment to Viet-Nam from 1965 should be seen as a direct manifestation of a new self-confidence and a new attitude toward the outside world. Viet-Nam was an opportunity for the Koreans to demonstrate both the ability and the right to have a voice in Asian policy--and they were willing to earn their way by sending troops to help in a struggle whose outcome would have a marked long-range impact on their own future. Nor had Koreans and their Government forgotten how fifteen years earlier the United States and others had come to their assistance, and how much American aid

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during the chaotic years following the Korean War had contributed to the country's recovery and growth.

These factors, together with the personal friendship between President Johnson and President Park, made it possible for the US Government to discuss with the ROK a major Korean contribution to the free world forces in Viet-Nam.^{23/} The results spoke for themselves. The Korean accomplishment was particularly remarkable since the dispatch of the second division (in 1966) was accomplished over the objections of both opposition parties, and many Koreans felt it was unfair to ask them to increase their contribution in the absence of comparable contributions by Asian countries farther removed from the immediate menace of communist armed forces.^{24/}

^{23/} Memorandum of Conversation, Johnson-Park Meetings, May 17 and 18, 1965 ~~(SECRET)~~; Joint State/Defense/AID Messages, 15, July 5, 1965 and 47, July 12, 1965 to Seoul ~~(SECRET)~~.

^{24/} From Seoul, Airgram A-352, March 9, 1966 ~~(SECRET)~~; Letter from Ambassador Brown to ROK Minister of Foreign Affairs Lee Tong Won, March 4, 1966 ~~(SECRET)~~.

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It was this increasing menace, i.e., from North Korea, which made sending and retaining two divisions in Viet-Nam an act of great political courage for the ROK. This policy was clearly contingent on South Korea's ability to improve, with US assistance, its own capabilities for dealing with the North Korean infiltrations through and around the Demilitarized Zone. At a time when weaker spirits might have faltered, following the Blue House raid and the capture of the "Pueblo" in January 1968, the Koreans decided not to withdraw any of their forces from Viet-Nam. This forthright and courageous attitude was buttressed by US assurances that the troop deployment would not impair ROK security or interfere in any way with its continued economic progress; ^{25/} US willingness to step up modernization of ROK forces pursuant to these assurances; ^{26/}

^{25/} Department of State Telegrams 994, March 25, 1966, and 1007, March 31, 1966 to Seoul (~~SECRET~~); Joint Statement of President Johnson and Prime Minister Il Kwon Chung, March 14, 1967 (UNCLASSIFIED).

^{26/} Department of State Telegram 106085 to Seoul, January 28, 1968 (~~SECRET~~); ROK-US Joint Communique issued at Seoul, February 15, 1968 (UNCLASSIFIED).

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and reassurance to the Koreans that the US would not withdraw its own troops from Korea for the duration of ROK participation in Viet-Nam.^{27/}

6. US Reactions to North Korean Aggressions

North Korean violence against ROK and US forces in the Demilitarized Zone and elsewhere began to increase in late 1966, and intensified further in 1967. They culminated on January 21, 1968, in an attempt by a North Korean commando team to destroy the Presidential Palace and assassinate President Pak Chong-hui. Two days later the North Koreans seized the US intelligence ship "PUEBLO" and its 83-man crew.

Shocked and alarmed by these events, the ROK Government and public reacted violently to the initiation by the United States of secret negotiations intended to bring about the release of the "PUEBLO" crew.^{28/} The Koreans were convinced

^{27/} Joint Statement of President Johnson and President Park on the Occasion of President Johnson's State Visit to Korea, November 2, 1966.

^{28/} From Seoul, Telegram 3706, January 28, 1968
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that we did not recognize the extreme gravity of the North Korean threat. They were afraid that once we had obtained the release of the crew we would withdraw the augmentation forces sent to Korea after the seizure of the "PUEBLO" and leave the problem of North Korean aggression in the hands of the ineffectual Military Armistice Commission.^{29/} Officials talked of withdrawing ROK troops from Viet-Nam and of taking the initiative in forcing the issue with the North Koreans. President Pak told US Ambassador William J. Porter that if there were another North Korean incident, his government would take retaliatory measures despite his earlier agreement to exercise restraint.^{30/}

On February 3, President Johnson sent a message to President Pak reassuring him of our support and stating that we were urgently considering ways of strengthening ROK forces

^{29/} From Seoul, Telegram 3706, January 28, 1968
~~(SECRET NODIS/CACTUS).~~

^{30/} Department of State Telegram 104293, January 25, 1968 ~~(SECRET NODIS/CACTUS)~~; from Seoul, Telegrams 3901, February 3, and 3971, February 5, 1968 ~~(SECRET NODIS/CACTUS)~~.

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to meet the North Korean threat.^{31/}

Despite this reassurance and Ambassador Porter's efforts to counsel patience, it was apparent that public and official emotion favoring action against North Korea was pressing heavily on President Pak, and the Ambassador reported that it was increasingly difficult to persuade him to continue to exercise restraint.^{32/}

We recognized that prompt and effective measures must be taken to allay public and official ROK suspicions that the United States was engaged in double-dealing with the North Koreans. President Johnson therefore wrote President Pak on February 5 outlining his plans for increased military assistance to the ROK.^{33/}

While expressing his appreciation for this assistance, President Pak reiterated that he could not remain passive if

^{31/} Department of State Telegram 109821, February 4, 1968 (~~SECRET NODIS/CACTUS~~).

^{32/} From Seoul, Telegram 3960, February 5, 1968 (~~SECRET NODIS/CACTUS~~).

^{33/} Department of State Telegrams 11263 and 11264 to Seoul, February 4, 1968 (~~SECRET NODIS/CACTUS~~).

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another incident occurred. He believed that such an incident was likely to occur, and that it would precipitate another war in Korea.^{34/}

On February 9, President Johnson announced that he was sending Mr. Cyrus R. Vance to Korea as his personal representative to discuss with President Pak the grave threats to the ROK caused by North Korean hostile acts. Vance's mission was to combine an assurance to Pak of our steadfastness and seriousness of purpose with an understanding on his part that the United States, too, had national interests engaged in the safety of his country and in peace in Asia. We expected the same degree of cooperation from him that he expected from us.^{35/}

During the course of conversations held February 12-15 with President Pak and his advisers, Vance was able to accomplish his mission, though not without arduous negotiations.^{36/}

^{34/} From Seoul, Telegram 4083, February 8, 1968
~~(SECRET NODIS/CACTUS)~~.

^{35/} Department of State Telegram 113671 to Seoul, February 11, 1968 ~~(SECRET NODIS/CACTUS)~~.

^{36/} From Seoul, Telegram 9133, February 17, 1968
~~(SECRET NODIS/CACTUS)~~.

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In the joint communique issued on February 15 it was agreed that the two countries would consult immediately whenever the security of the ROK was threatened, and that annual meetings of defense ministers would be held to discuss defense and security matters of mutual concern.

Subsequently the United States undertook to implement its decision to increase military assistance to the ROK, to improve both US and ROK defenses along the Demilitarized Zone, and to assist the ROK in increasing the effectiveness of its counter-subversion operations. Probably as a result of these measures, North Korean attempts at infiltration and subversion decreased sharply during the remainder of 1968.

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