MEMORANDUM OF CONVERSATION

PARTICIPANTS:

Kakuei Tanaka, Prime Minister of Japan
Massayoshi Ohira, Foreign Minister of Japan
Takeshi Yasukawa, Japanese Ambassador to the United States
Yoshio Okawara, Director General, American Affairs Bureau, Japanese Ministry of Foreign Affairs
Hidetoshi Ukawa, American Affairs Bureau, Japanese Ministry of Foreign Affairs
(Interpreter)

The President
William P. Rogers, Secretary of State
Henry A. Kissinger, Assistant to the President for National Security Affairs
Robert S. Ingersoll, United States Ambassador to Japan
James J. Wickel, American Embassy, Tokyo
(Interpreter)

DATE, TIME, AND PLACE:
August 1, 1973, 9:30 a.m.
The White House

SUBJECT:
Second Meeting between the President and Prime Minister: (1) U.S.-Japan Trade Balance; (2) Korea - Security; (3) Korea - U.N.; (4) Korea - Recognition of North and South; (5) Southeast Asia; (6) USSR and PRC and Rimlands of Asia; (7) U.S.-PRC Relations; (8) Energy; (9) U.S.-Japan Consultative Organs; (10) U.S.-Japan Mutual Security Treaty; (11) U.S.-Japan Joint Development, Siberia

Prime Minister Tanaka thanked the President for the dinner he hosted last evening, in particular for having Miss Roberta Peters sing afterward. He praised her voice, and expressed envy of her modulation and volume -- a person with a voice like that would be an effective political campaigner.

XGDS 5b(2) BYAUTH Mr. Kissinger
1. U.S. - Japan Trade Balance

The President began the discussion by expressing appreciation for the progress made by Japan in reducing the great imbalance in bilateral trade which the Prime Minister promised to do at Kuilima. This indicated how much could be achieved through U.S. - Japan cooperation.

Prime Minister Tanaka said that better progress has been made than he expected last year. He forecast that by March 1974 Japan's foreign exchange reserves would be reduced to about half of their peak level earlier this year, down to about $10 billion from slightly less than $20 billion. Moreover, he expected that Japan's trade surplus with the United States would be reduced from its peak of about $4 billion by more than half.

The President recognized that this represents a difficult accomplishment, because of the strain it has placed on Japan's economy. However, in the interest of stability in international trade and monetary affairs it is essential that these two major powers put their trade into better balance.

Prime Minister Tanaka explained that the Government of Japan (GOJ) has taken a stringent policy since the Kuilima Summit to increase the rate of growth of imports and reduce the rate of growth of exports. As a result, Japan's wholesale price index has increased by some 15 percent, but Japan's improvement of the imbalance in its BOP has improved twice as much as expected. Nevertheless, he expressed confidence that the GOJ could keep price increases within manageable limits. He took pleasure in thus reporting Japan's contribution to the BOP improvement, which has been given first priority, with the domestic economy next.

2. Korea - Security

The President noted that Korea had not been discussed yesterday. Prime Minister Tanaka asked whether Taiwan should also be included in this discussion; the President agreed, and added Southeast Asia.

Prime Minister Tanaka said that stability in the ROK and the Korean Peninsula is vital to peace and stability in Asia. Because North Korea should not be allowed to remain a closed inward looking society he suggested that it is desirable, and even essential, to peace in Korea to draw North Korea out, and into the U.N. as an observer at the same time as the ROK. In the meantime, his advice to the South Koreans is to keep strict guard at the 38th parallel. He also said that he promised the ROKG that Japan would cooperate
in extending positive economic assistance to help industrialize and stabilize the livelihood of the people. Unless the ROK economy becomes stronger than that of North Korea he doubted whether talks between them would lead to favorable progress. In comparing the two, the ROK is slightly weaker than North Korea in steel production, but is making progress in its yearly plans to develop primary industry, particularly agriculture, by land improvements, mechanization of agriculture, and improving the quality of life in agricultural villages.

Prime Minister Tanaka explained that he and Foreign Minister Ohira in their recent talks with the ROK Prime Minister in Tokyo had explored the possibility of locating new Japanese industrial plants, particularly petrochemical plants which cause the kind of pollution no longer acceptable to the Japanese people, in areas like Korea; the ROK Prime Minister had replied that the Koreans would be willing to receive such Japanese investment. Prime Minister Tanaka said that he also suggested to the ROK Prime Minister that Japan build a refinery complex in Korea when Tyumen oil becomes available.

The President asked Prime Minister Tanaka and Foreign Minister Ohira for their views on the Korean attitudes toward Japan. During his own travels he had noted considerable Korean antagonism toward Japan about 1959 - 1960 when he visited the ROK on behalf of President Eisenhower, although the situation had improved by the time of his travels in 1963-1964. Granted that there has been improvement, he asked whether the improvement is satisfactory, or whether lingering frictions remain.

Prime Minister Tanaka admitted that ROK feelings against Japan were only natural in view of previous historical facts, but said that this earlier antagonism no longer exists because Japan and the ROK share a common destiny: without ROK stability Japan cannot be stable, and without Japanese assistance the ROK has no security. If North Korea should take over South Korea some 20 million people would have no refuge except fleeing to Japan; therefore Japan must assist the ROK. He described the relationship in terms of a Japanese proverb which states that water flows freely in both directions (i.e., the Japanese and Koreans communicate easily and get along well).

With respect to the UNC, Prime Minister Tanaka assumed that we could all agree that the United States should maintain strong forces in place and not withdraw troops from the ROK, and that on the economic side Japan would give the assistance needed by the ROK to attain a higher level of economic power than North Korea.
Foreign Minister Ohira, by way of amplification, confirmed that relations between Japan and the ROK have improved considerably. With Japan extending positive economic cooperation, friendship has flowed from economic interdependence. He stressed the importance of cooperating with the ROK, to provide for its security and to improve the well-being of the Korean people. Japan must and would continue to cooperate with the ROK throughout its current five year plan for economic development, under which the ROKG is making a great effort to put the country on its own feet. However, when the ROK reaches that stage of development in which it could stand on its own feet, Japan should be prepared to shift the relationship to economic considerations.

During discussion of North Korea and the U.N. with the ROK Prime Minister, Foreign Minister Ohira said that both sides agreed to support the international position of the ROK with the cooperation of the United States; he stressed the need to do so in view of the importance of ROK stability to Japan.

Foreign Minister Ohira recalled that in the past Japan maintained two divisions of troops in South Korea, and said that under present circumstances which preclude direct military assistance Japan wishes to extend economic assistance equivalent to the cost of maintaining two divisions in Korea. This kind of positive economic cooperation has the further advantage of increasing Korean understanding of Japan.

Secretary Rogers agreed with the above assessment of Korean attitudes toward Japan, citing the fact that he had detected a much warmer feeling toward Japan during his own recent visit to Seoul. He endorsed the desirability of Japan maintaining close ties with the ROK and explained that the United States presently maintains one division there with a total force of 42,000 men. He expressed concern, however, about North Korea's continuing military build-up, particularly the rapid build-up of its air forces. While ROK ground forces are quite strong in comparison to North Korea, its air forces lag behind those of North Korea. Up to now it has been true that both have been roughly equal, primarily in defensive air forces, but North Korea is presently building up an edge in offensive air capability.

Secretary Rogers also explained that the United States is currently modernizing ROK military forces as promised when 20,000 American troops were withdrawn. He noted frankly, however, that this modernization program is moving slowly, and that the date of completion has been set back two years. In the meantime, we have assured the ROKG that we would not withdraw any more troops before completion. Nevertheless, the present mood of the Congress is to reduce American forces not just in Korea but around the world.
In this respect Secretary Rogers called attention to the victory for the President in the House of Representatives which voted last night against any troop reductions this year and to study the subject next year. In effect this means that the Mansfield Amendment is dead for now and that the United States should be able to maintain its present troop strength in Korea through FY 74.

3. Korea - UN

Turning to the UNGA, Secretary Rogers emphasized the need for close US-Japan cooperation to avoid a "licking" on the vote on Korea. The ROK would be deeply affected by a UN vote to dismantle the UNC, which he felt would also create a domestic political problem in Japan because of the UN SOFA that also applies to our forces there. He asked Foreign Minister Ohira for his assessment of the impact of such a vote in Japan.

Foreign Minister Ohira said that Japan would be vastly relieved if the continued presence of United States Forces in Korea could be assured without impairment to their function. He noted that dismantling the UNC would not of itself destroy the basis for the continued presence of US forces in Korea, but reiterated his desire to consult fully with the United States on "ways and means" to ensure their continued presence there.

In responding to this principal question, Secretary Rogers said that the United States intends to continue its bilateral Security Treaty with the ROK. However, an adverse UN vote could create a legal problem with respect to the Armistice Commission because the Armistice was signed by the UNC. A similar question might arise about resolving DMZ disputes in the Armistice Commission where the United States member represents the UNC. He speculated that this question might not arise, however, if both Koreas were admitted to the UN at the same time, as proposed in President Park's recent initiative.

Secretary Rogers conceded that there would be a serious problem if the Communists were successful in their efforts to have the UN vote to dissolve the UNC and also to declare all previous UN actions on Korea null and void, as proposed by Kim Il-sung. Therefore, he urged strongly that Japan also cooperate to gain support for President Park's proposal that both Koreas enter the UN at the same time. While he could foresee pressures, he stated that the United States can and will remain in Korea.
Even so, we should make a major effort to keep the UNC because it would represent a victory for Communism if it were dismantled and it appeared that just the United States is interested in the ROK. He noted his discussion of a canvass of votes on this issue yesterday with the ROK Ambassador, which showed that we could win at present by a margin of a few votes. To be 100% sure of winning he urged that we both try to secure a margin of 15 votes.

Foreign Minister Ohira replied that Japan, too, would do its best to assure a favorable vote. He recognized that the Japan-US Mutual Security Treaty also plays a role in supporting US forces in Korea, and did not anticipate any substantive change. Nevertheless, as the Secretary pointed out, legal problems could arise depending on the outcome of the UN vote. Japan wished to study these possibilities energetically, and to discuss the results of its study with the United States. While it is only natural to believe that we would win the vote, he did not wish to appear overly optimistic.

Secretary Rogers stressed the importance of not appearing to consider this matter unimportant, and of not showing a lack of enthusiasm because we would keep our forces in Korea anyway. It would be a major defeat if we lost the vote in the UN. Fortunately, President Park's proposal gives us a good position to argue in favor of admitting both Koreas at the same time before taking any vote on changing the UNC. Many nations which were not members of the UN at the time of the Korean conflict have little direct interest in Korea, but we could have a great influence if they could see how greatly important this matter is to Japan. Otherwise, it would appear that it is just the United States which is concerned.

4. Korea - Recognition of North and South

Secretary Rogers said that many western nations are moving rapidly to establish contacts and diplomatic relations with North Korea. We are not opposed to this; if the Eastern European and Communist nations move quickly to do the same with the ROK. During his recent discussions in Seoul the ROKs expressed their concern that if the Western nations move too quickly to establish diplomatic and trade relations with North Korea the world will get the impression that there is no other side; and that the ROK would be isolated if North Korea came to be viewed by the world as the true representative of all of Korea. He stressed that we want these nations to slow down, and wait at least until after the UN vote.
Foreign Minister Ohira replied that Japan would act with extreme prudence in this respect. After all, Japan's own security would be affected if the ROK did not remain secure and stable. Moreover, Japan does not view North and South Korea as equals.

Secretary Rogers urged that we tilt in favor of the ROK whenever possible in the interest of strengthening a non-Communist Korea and preventing it from being isolated by the Communists.

Prime Minister Tanaka agreed, and said that Japan's economic assistance to the ROK should prove helpful.

The President said that this goal is important in terms of developing the support we need to continue our military efforts in the face of the increasingly loud voices in Asia and Europe calling for a total American withdrawal, which are also increasingly heard in the United States. Our purpose is to promote stability; it is not ideological. We simply wish to avoid creating a vacuum by withdrawing. He noted that he and the Prime Minister both agreed that neither the United States nor Japan have any imperialist or colonialist ambitions. However, he warned that if we all decided to go home and devote ourselves to building better sewing machines and transistor radios we would leave the world in a vacuum, which would quickly be filled by those who wish to do so in Asia and elsewhere.

5. Southeast Asia

The President said that the situation is different in Southeast Asia. Most of the American people no longer wish to play a role there, having been stung deeply by a long and debilitating war. Nevertheless, he is continuing to try to get the support of Congress necessary to continue our military assistance, because if the Communists continue their military domination of Vietnam, the future of Indonesia, the small countries like Malaysia and Singapore, as well as Thailand and others would be affected. Because of a variety of reasons including trade, we know that the biggest stake is not held by the United States, but by Japan. Therefore, it is encouraging to note that Japan is following a constructive policy of economic aid to South Vietnam, which is in our mutual interest.

6. USSR and PRC and Rimlands of Asia

Viewing the world in this sense the President said that his initiatives toward the PRC and the USSR do not necessarily mean a great increase in trade with them. Instead, in succeeding in these initiatives, the real gain is the reduction of the danger of military confrontation. In economic terms,
Japan, which knows Asia better than we do, is aware of the fact that there is a much greater potential to expand trade between Japan and the United States, or other nations of the Free World.

However, setting aside trade, the President noted that Japan like the United States supports independence and freedom, but warned that if the 300 million people living around the rimland of Asia came under the domination of either Communist superpower the survival of Japan and other free nations would be placed in jeopardy, and they would find it difficult to stay out of the Communist orbit. In saying this he did not mean that we should adopt a beligerent attitude toward the PRC and USSR, but on the contrary suggested that we seek to develop contacts and negotiate with them, as the United States has done, to try to reduce the tensions which could lead to a military conflict that would involve the entire world. More than anything else he urged that we keep in mind the need to strengthen the nations around the rim of Asia in freedom and independence which in one way or another share our views and our form of government.

The President said that it takes courage to oppose, as the Prime Minister has in Japan, the left-wing forces in Asia and Europe to prevent them from succeeding in their public campaign to get the United States to go home. However, he noted that public opinion has developed in the United States in such a way that the question is being asked increasingly whether the United States alone should bear the burden of providing military aid to the small nations on the rim of the two superpowers in Asia, or whether others would share this burden. Usually, this question is asked about Japan. Therefore, the role Japan chooses to play in the ROK, its neighbor, and in Vietnam would be most important. To the extent that Japan could provide increased economic assistance, our own case before the American people would be made more persuasive. He stressed that it is in our common interest to strengthen these nations.

Secretary Rogers said that he hoped there would be some discussion of Taiwan later, noting that Taiwan's economy had its best year ever last year, and that our own relations with Taiwan also have grown through the past year.

Prime Minister Tanaka recalled meeting the American press recently in Tokyo, and telling them that it is relatively less difficult to maintain the peace in Europe, but that the most difficult problems are to be
found in Asia. He also told them to be cautious lest they err in their estimates of Asian reality, and that the very foundations of the free and democratic world could begin to crumble at the base if we should fail to do all in our power to maintain peace in Asia. He said that he also tried to convey the same feeling to the influential Senators and Representatives he has met during this visit.

Prime Minister Tanaka said that Japan would do all it could to prevent the Communization of Korea, which he believes is the strong point at which to resist a Soviet advance through North Korea. Similarly, should Vietnam go Communist he feared that all the nations around it would also go Communist, or turn pink. Therefore, he agreed completely with the concerns expressed above by the President.

Warning that he could not say so publicly in Japan because of Japan's relations with the PRC, Prime Minister Tanaka said that Taiwan is also an important base. He expressed the fervent hope that the United States would continue to maintain a strong position there.

Prime Minister Tanaka expressed his view that as long as the ROK, Taiwan and South Vietnam did not go Communist Asia would not go Communist. Therefore, he concluded that it is only natural that Japan should provide strong economic cooperation to the ROK and South Vietnam, just as the United States is providing military cooperation to both.

Prime Minister Tanaka then suggested that the free nations on the fringes of Vietnam—not just Japan, but Australia, New Zealand and others—might establish a system to defend the free world nations.

[Note: This tentative overture appeared to shock Foreign Minister Ohira, who immediately changed the subject. It is somewhat typical of Prime Minister Tanaka, who is addicted to introducing the most difficult subjects with the least preparation.]

7. US-PRC Relations

Foreign Minister Ohira asked what schedule the United States has for proceeding to establish diplomatic relations with the PRC.

Prime Minister Tanaka interjected excitedly "especially leading to recognition."
The President replied that we have no schedule at this time. We believe that the present relationship is acceptable to them, as to us, and provides for all the contact we need. We would not wish to raise the Taiwan issue to a higher level, which would not be in the interest of either of us. We plan to continue to follow the policy we have followed up to now. We are not pressing them for a change, and they are not pressing us for a change. If there should be a change—and he did not anticipate there would be—we would be in touch with Japan. However, at present neither the United States nor China has any intention of seeking a change.

Secretary Rogers asked whether Japan has resolved the issue of the air route to Taiwan.

Foreign Minister Ohira replied "not yet." Although Japan wishes to conclude a Civil Air Agreement with the PRC as soon as possible, which would permit the Chinese to fly into Japan and beyond, there are about 300,000 Japanese per year flying to Taiwan. Japan hopes to gain the understanding of Peking to maintain the capability to satisfy this air travel demand. He hoped that Japan would succeed in this undertaking, otherwise Japan would face difficulties.

8. Energy

The President raised the subject of energy and said that our policies are parallel. The United States and Japan are cooperating in the development of peaceful uses of atomic energy, and other sources of energy. He felt it important to recall his discussions with the Prime Minister at dinner last evening, about the development of the Siberian pipeline, and noted that they shared the conclusion that US-Japan cooperation in the projects under discussion is essential, and in the interest of both nations. He asked for the views of the Foreign Minister.

Foreign Minister Ohira replied that he and Secretary Rogers had also discussed the energy problem in their counterpart meeting. He was pleased to note not the slightest difference in view between Japan and the United States in the broad discussions or in the review of detailed points raised by Under Secretary Casey. Both Japan and the United States have agreed to exchange information, and to engage in joint R & D projects, including cost sharing, in the expectation of active talks at the policy-making level not only about oil but also uranium enrichment. He was pleased at the agreement to include in these exchanges information
on the technology necessary to abate the environmental pollution caused by the use of these energy sources. He hoped to gain "the blessings" of the President and Prime Minister on this agreement.

The President "endorsed" the agreement.

The Prime Minister explained that Japan hitherto estimated that both Japan and the United States would be 10% dependent on atomic energy by 1985, but said that this should be revised to indicate a 25% reliance on atomic energy by that year for reasons familiar to all of us. Japan has received "approaches" from many other countries with respect to the development of energy sources, but he confirmed Japan's desire to maintain its central relationship in this area with the United States.

Prime Minister Tanaka explained the Foreign Minister's statement about Japan-US exchanges of technology, pollution abatement technology, and R & D in technology. The GOJ has in mind budgetary appropriations to maintain these exchanges. In addition, private firms working with Japan's AEC and the Japan Nuclear Fuel Corporation also wish to cooperate. Moreover, Japan recently sent a mission to study Brazil's uranium ore deposits, which it wishes to develop jointly with the United States. Above and beyond academic scientific exchanges, Japan wishes to cooperate actively in R & D performed in the United States, which Japan is prepared to fund in part.

9. US-Japan Consultative Organs

Foreign Minister Ohira said that a number of organizations have grown up for regular consultations between Japan and the United States, including scientific cooperation, medical research, cultural and educational affairs, Korea, Indochina and other broad questions affecting the Pacific area, and a new body on energy has become necessary. He hoped, therefore, to consult with the Department of State on how these various consultative organizations could be sorted out, keeping those which are important and gradually phasing out those which have already served their purpose.

The President explained that he has named Governor Love as the new director of all our energy programs. He said that he would see to it that Governor Love works in close cooperation with Japan, in this area where we need more consultation and coordination, concerning energy, the very lifeblood of modern industrial nations such as Japan, the United States and Europe. It would not help any of the rest if one of us should fall because of a lack of energy.
The President said that it is also in the mutual interest of all of us to maintain uninterrupted access to the energy resources of the Middle East, so that none of us fall, as well as to develop energy resources not yet known. There may be new energy resources apart from atomic energy. Here we should consult, and establish joint ventures which we would welcome.

Prime Minister Tanaka agreed, and explained that the GOJ would try to budget for research on new resources, such as solar and geothermal energy. He reiterated the view that government and business in Japan wished to cooperate and engage in joint ventures with the United States and other advanced industrial nations.


Foreign Minister Ohira asked to report to the President on the smooth operation of the US-Japan Mutual Security Treaty. The American Embassy in Tokyo has been consulting closely with the Foreign Ministry and the Japan Defense Agency to enhance the effective operation of the MST. He believed that the GOJ has the full understanding of the United States Government on this fundamental aspect of Japan-US relations, and expressed the desire to continue to give the highest consideration to it. In particular, he wished to consider the further advantage of additional consolidation of some US bases in Japan, without derogation to their deterrent function; which would also enable the United States to reduce its defense expenditures. He regretted that Japan could not make a direct military contribution. However, he felt that making more efficient use of the bases Japan provides the United States under the MST, while reducing the costs to the United in the process would contribute to the United States purpose. He hoped the President would understand his remarks about the importance to the peace and security of Japan and the United States, as well as Asia, of maintaining the MST and a more efficient base situation.

Secretary Rogers noted that the operation of the MST has been working well, with close consultations between Ambassador Ingersoll and the Foreign Minister which DOD also appreciates.

Prime Minister Tanaka made clear that by consolidation of bases the Government of Japan wishes only to contribute to the modernization and efficiency of the US forces deterrent capability, with absolutely no impairment, at the same time the United States reduces its cost burden. He hoped the United States understood that the GOJ is prepared to budget funds for such consolidations to facilitate the process.
II. U.S. - Japan Joint Development - Siberia

Finally, Prime Minister Tanaka referred to his agreement with the President at dinner last evening which he would not make public that Japan and the United States would move forward to cooperate in the Siberian development projects they discussed, Tyumen oil and Yakutsk gas. The PRC has also requested that Japan cooperate with the United States in this undertaking, to make it safer for them. He appreciated the understanding that American firms would enter into joint venture with Japanese companies in these development projects.

The President said that he and the Prime Minister agree on this, the PRC agrees, even the Soviets agree-- we all see eye-to-eye.