

SENKAKM

**01334**

**1970/10/14**



**DEPARTMENT OF DEFENSE**

NATIONAL MILITARY COMMAND CENTER  
MESSAGE CENTER

C O N F I D E N T I A L

75532

COMMUNIQUE. NAKAJIMA SAID THAT GOJ RECOGNIZES REASONS WHY USG REFERRED EXTENSIVELY TO UNDERTAKING IN COMMUNIQUE, AND GOJ SHARES USG PURPOSE, I.E., TO SHOW THAT JOINT COMMUNIQUE STILL REGARDED AS VALID BY BOTH GOVERNMENTS. HOWEVER, GOJ, ANTICIPATING DIET CRITICISM, WISHES TO INVOKE JOINT COMMUNIQUE BY MEANS PRESENTING LOWEST POSSIBLE PROFILE. COMMENT: FOLLOWING SOME DISCUSSION NAKAJIMA SAID THAT HE RECOGNIZED THAT PRESENT GOJ COUNTER PROPOSAL TOO RESTRICTED IN ITS INVOCATION OF COMMUNIQUE. NAKAJIMA ALSO RECOGNIZED THAT THIS PORTION OF PREAMBLE ESSENTIALLY POLITICAL IN NATURE.

4. DELETION QUOTE OKINAWA UNQUOTE AND SUBSTITUTION QUOTE THE RYUKYU ISLANDS AND THE DAITO ISLANDS UNQUOTE. EMBOFFS POINTED OUT THAT JOINT COMMUNIQUE DID NOT REFER TO RYUKYUS AND DAITOS. PREAMBLE THEREFORE LACKING SOMEWHAT IN PRECISION IF ORIGINAL USG FORMULATION NOT ACCEPTED BY GOJ, ALONG WITH DEFINITION CONTAINED PARA 2 ARTICLE I. NAKAJIMA UNDERTOOK GIVE FULL CONSIDERATION USG POSITION THIS REGARD, AND IT POSSIBLE THAT GOJ MAY WITHDRAW ITS SUGGESTION.

5. DELETION OF QUOTE THE DATE OF ENTRY INTO FORCE OF THIS AGREEMENT UNQUOTE. ACCORDING TO NAKAJIMA, THIS DELETION DOES NOT REPRESENT GOJ DISAGREEMENT WITH USG SUGGESTED HANDLING; BUT ONLY LACK OF GOJ DECISION AS TO ANY OF NUMBER OF SPECIFIC FORMULAS THAT COULD BE USED. NAKAJIMA SUGGESTED THAT WE ALLOW PRECISE FORMULATION OF DATE OF ENTRY INTO FORCE TO BE POSTPONED UNTIL WE HAVE A CLEARER IDEA OF CONTENTS OF REVERSION AGREEMENT AND RATIFICATION PROCEDURES.

6. DESCRIPTION OF TERRITORIES. GOJ CONSIDERS THAT ITS NARRATIVE DESCRIPTION EMPHASIZES MORE THAN US PROPOSAL THE ATTRACTIVE POLITICAL FACT THAT RYUKYU REVERSION TERMINATES ARTICLE III RIGHTS. THE STATED PURPOSE OF METES AND BOUNDS TERRITORIAL DESCRIPTION IS TO ADD PRECISION. ON PROBING BY EMBOFFS, HOWEVER, NAKAJIMA CONFIRMED THAT GOJ DID CONSIDER SENKAKU ISSUE IN DRAFTING METES AND BOUND DESCRIPTION. EMBOFFS POINTED OUT THAT (1) USG PREFERS STAY OUT OF MIDDLE OF SENKAKUS ISSUE, (2) THAT REVERSION AGREEMENT PROBABLY IS NOT PROPER PLACE TO REFER EVEN INDIRECTLY

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TO SENKAKUS DISPUTE, (3) THAT ARTICLE T REE OF PEACE TREATY DOES NOT CONTAIN SUCH METES AND BOUNDS DESCRIPTION, (4) THAT ANNEX ESSENTIALLY REDUNDANT AND REDUNDANCY SHOULD BE AVOIDED AS MATTER OF PRINCIPLE IN SOLEMN INTERNATIONAL DOCUMENTS. REFERENCE IN AGREEMENT TO SAME THING IN TWO DIFFERENT WAYS CAN GIVE RISE TO LATER MISUNDERSTANDINGS. NAKAJIMA SAID THAT HE SYMPATHETIC TO EACH OF ABOVE POINTS, BUT THAT SENKAKUS ISSUE MAY BE EXTREMELY IMPORTANT TO GOJ IN 1972.

7. ARTICLE II GOJ INSERTION QUOTE IT IS CONFIRMED THAT UNQUOTE EXPLAINED BY NAKAJIMA AS REFERENCE TO FACT THAT TREATIES WILL APPLY TO OKINAWA UPON REVERSION BY OPERATION INTERNATIONAL LAW AND THAT REVERSION AGREEMENT NEED ONLY CONFIRM THAT FACT.

8. BILATERAL VERSUS MULTILATERAL TREATIES. NAKAJIMA SAID THAT GOJ PURPOSE IN AMENDING LANGUAGE IS TO MAKE REFERENCE MORE CLEARLY ONLY TO BILATERAL TREATIES. AMENDMENT BASED ON GOJ CONCERNS THAT USG-GOJ REVERSION AGREEMENT NOT APPROPRIATE DOCUMENT IN WHICH TO REFER TO APPLICATION OF MULTILATERAL AGREEMENTS AND THAT CERTAIN MULTILATERAL CONVENTIONS MAY REQUIRE MINOR ADJUSTMENTS OR AT LEAST NOTIFICATIONS TO OTHER PARTIES BEFORE RYUKYU REVERSION. NAKAJIMA MENTIONED, FOR EXAMPLE, INTERNATIONAL ROAD TRAFFIC CONVENTION, WHICH HE DESCRIBED AS REQUIRING UNIFORMITY IN ONE COUNTRY OF EITHER LEFT SIDE OR RIGHT SIDE DRIVING. SINCE GOJ CONSIDERS IT IMPOSSIBLE CHANGE FROM RIGHT HAND TO LEFT HAND IN RYUKYUS UPON REVERSION, APPARENT DISPARITY FROM ROAD TRAFFIC CONVENTION WOULD HAVE TO BE BROUGHT TO ATTENTION OTHER CONTRACTING STATES. NAKAJIMA SAID GOJ NOT CERTAIN THAT ALL SUCH ADJUSTMENTS AND NOTIFICATIONS COULD BE CONCLUDED BY TIME OF REVERSION. NAKAJIMA CONFIRMED, HOWEVER, THAT ALL MULTILATERAL AGREEMENTS TO WHICH BOTH USG AND GOJ ARE PARTIES WOULD APPLY TO RYUKYU AND DAITO ISLANDS UPON REVERSION. (REFERENCE CA 4638 PARA 4).

9. DELETION QUOTE ITS RELATED ARRANGEMENTS UNQUOTE AND INSERTION QUOTE THE AGREEMENTS RELATED THERETO UNQUOTE. NAKAJIMA SAID GOJ FOLLOWING BONIN REVERSION AGREEMENT. EMBOFFS POINTED OUT THAT USG PROPOSED LANGUAGE IDENTICAL

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TO THAT CONTAINED IN COMMUNIQUE AND T T GOJ IN PARTICULAR  
MAY HAVE DIFNHCSXIESNIY AGREEMENT ITSELF CONTAINS  
VARIANT LANGUAGE. NAKAJIMA SAID THAT GOJ HAD NOT  
DEEPLY CONSIDERED THIS OBSERVATION AND WOULD DO SO.

10. EMBASSY WOULD APPRECIATE DEPARTMENT'S INSTRUCTIONS  
OR SUGGESTIONS RE ANY POINTS RAISED BY GOJ.

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**1971/03/15**

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ACTION

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FM AMEMBASSY TOKYO

TO RUEHC/SECSTATE WASHDC 7549

INFO RUHHHQA/CINCPAC

RUHHRGA/CINCUSARPAC

RUADJKA/COMUSJ

RUEADWD/DA

RUEKJCS/DOD

RUADADA/HICOMRY

BT

C O N F I D E N T I A L TOKYO 2280

ODD FOR ISA

DA FOR DUSA

SUBJECT: OKINAWA REVERSION NEGOTIATIONS; INVENTORY OF  
OUTSTANDING ISSUES

1. SUMMARY: DISCUSSIONS BY EMBASSY AND HICOM STAFF  
FOLLOWING MRCH 9 OCC MEETING DEVELOPED INVENTORY OF OUT-  
STANDING PROBLEMS WHICH MUST BE RESOLVED PRIOR TO SIGNING  
OF REVERSION AGREEMENT. THIS MESSAGE TRANSMITS INVENTORY  
AND INDICATES STATUS OF EACH AND NEXT STEP NEEDED. END  
SUMMARY:

2. AT CONCLUSION MARCH 9 OCC MEETING AT EMBASSY TOKYO,  
EMBASSY AND HICOM STAFF DEVELOPED FOLLOWING INVENTORY OF  
PROBLEMS WHICH MUST BE RESOLVED BEFORE FINAL ARRANGEMENTS  
CAN BE WORKED OUT FOR SIGNING REVERSION AGREEMENT:

A. DRAFT REVERSION AGREEMENT:

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DEPARTMENT OF STATE

IS/FPD/CDR *RH* Date: *4/19/97*

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 DENY  
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 FOIA Exemptions \_\_\_\_\_  
 PA Exemptions \_\_\_\_\_

MR Cases Only:  
 EO Citations \_\_\_\_\_  
 \_\_\_\_\_ TS authority to:  
 CLASSIFY as  S or  C OADR  
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ARTICLE I - SENKAKUS, DISCUSSION WITH FONOFF AWAITING WASHINGTON GUIDANCE FOR APPROPRIATE METHOD OF REFERRING TO SENKAKUS.

ARTICLE III - FACILITIES AND AREAS - UNDER DISCUSSION WITH FONOFF, FONOFF TO PROPOSE NEW WORKING INCORPORATING SAFEGUARD AGAINST NON-COMPLETION OF JOINT COMMITTEE DOCUMENTATION PRIOR TO REVERSION.

ARTICLE IV - CLAIMS, EMB-FONOFF DISCUSSION IN ABEYANCE PENDING WASHINGTON RESPONSE TO EMBASSY SUGGESTIONS FOR HANDLING.

**B. DEFENSE RESPONSIBILITIES -**

(1) SALE OF SAM AND AC&W ASSETS, THERE IS NEED TO CONCLUDE SALES ARRANGEMENTS IN ORDER TO ESTABLISH SOLID BASIS FOR DETAILED DEFENSE PLANNING, NEXT ORDER OF BUSINESS IS DA/DAF PREPARATION OF LETTERS OF OFFER AND INSPECTION BY JAPANESE OF CONDITION OF ASSETS, JSDF SAM VISIT IS SCHEDULED TO OKINAWA FOR 28 MARCH - 3 APRIL 71.  
(2) FACILITIES FOR JSDF, NEGOTIATING INSTRUCTIONS HAVE NOT BEEN ISSUED FROM WASHINGTON CONCERNING SPECIFIC FACILITIES TO BE OCCUPIED BY JSDF, DETAILED PLANNING WITH JDA IS BEING DONE ON ASSUMPTION THAT USDF WILL NOT AS A GENERAL RULE BE REQUIRED TO CONSTRUCT MAJOR FACILITIES IAW STATE/DOD GUIDANCE.

**C. SOFA MATTERS -**

(1) FACILITIES AND AREAS - STG ACTIVELY WORKING ON LISTING AND DESCRIPTIONS OF FACILITIES AND AREAS TO BE DESIGNATED BY JOINT COMMITTEE, LIST TO BE COMPLETED AND SUBSCRIBED TO BEFORE OR UPON SIGNING OF REVERSION AGREEMENT.

(2) LABOR - STG WORKING ON TECHNICAL RESOLUTION OF ADMINISTRATIVE FEE AND SEPARATION PAY ISSUES AND ON APPROACHES TO INCORPORATING OKINAWA EMPLOYEES INTO MAINLAND JOB DESCRIPTIONS.

(3) AIR TRAFFIC CONTROL (ATC) - NEED TO OBTAIN AGREEMENT IN STG ON SCHEDULE FOR TRANSFER OF OKINAWA FIR



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RESPONSIBILITY TO JAPAN AND RETENTION BY USAF OF  
APPROACH CONTROL,

(4) FREQUENCIES - GOOD PROGRESS BEING MADE IN STG ON  
DESIGNATION OF FREQUENCIES AND PROTECTION FROM ELECTRO-  
MAGNETIC INTERFERENCE.

D. ECONOMIC/FINANCIAL ARRANGEMENTS -

1) CIVIL ASSETS - AGREED TO IN PRINCIPLE PART.  
FONOFF TO PROPOSE HANDLING IN REVERSION AGREEMENT AND  
PREFERENCES FOR DETAILED ARRANGEMENTS IN LIGHT USG  
PROPOSAL ALREADY TABLED.

(2) \$200 MILLION PACKAGE - COMPONENTS OF DIET JUSTIFI-  
CATION STILL NOT DETERMINED. EMB HAS REQUESTED EASHIN-  
TO CONSIDERATION OF FORMULATION INCLUDING REPLACEMENT  
PLUS ADDITIONAL HOUSING FOR MACHINATO AREA.

E. BUSINESS INTERESTS - GOJ WORKING ON WRITTEN  
ASSURANCES ON CONTINUED US BUSINESS AND PROFESSIONAL  
OPERATIONS ON OKINAWA POST REVERSION AND ON SPECIFIC  
RESPONSES TO BUSINESS QUESTIONNAIRES.

F. CIVIL AVIATION - GOJ HAS REJECTED CABOTAGE, BUT IS  
CONSIDERING LENGTH OF NO-CHARGE PERIOD TO OFFER.

G. CONSULATE BUILDING AND HOUSING - NO DISCUSSION SO FAR  
WITH GOJ, AWAITING DEPARTMENT INSTRUCTIONS.

H. GRI DEBT - GOJ AND EMB HAVE DISCUSSED FORMALLY, AND  
EMB HAS PROVIDED POSITION AND ARGUMENTATION IN WRITING.  
AWAITING GOJ RESPONSE.

I. MEMORIALS - WASHINGTON RESPONSE TO EMBASSY MESSAGE  
CONTAINING SUGGESTED NEGOTIATING INSTRUCTIONS REQUIRED  
BEFORE DISCUSSION WITH GOJ.

J. VOA - DISCUSSED REPEATEDLY WITH GOJ AT ALL LEVELS.  
GOJ RECONSIDERING ITS POSITION THAT VOA MUST NOT OPERATE  
AFTER REVERSION, WITH GOJ OFFER TO COMPENSATE FOR  
RELOCATION COSTS.

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E. FBIS - ARRANGEMENTS TO BE WORKED OUT IN  
OKINAWA FOR INCLUDING FBIS UNDER MILITARY ADMINISTRATIVE  
UMBRELLA.

L. LAND - AWAITING GOJ RESPONSE RE LEASES OF STATE  
AND PREFECTURAL LAND TO PRIVATE PERSONS, GP-3

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ANNOTES

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**1972/03/29**

Authority AND 969035  
By RA NARA Date 3/29/72

*EL* *Accountant*



DEPARTMENT OF STATE

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INFORMATION MEMORANDUM

S/S *MP*

*4/11*

March 29, 1972

CONFIDENTIAL

To: The Secretary  
From: EA - Marshall Green *MG*  
Japan-PRC

*3/29/72*

The Japanese Foreign Office official with primary responsibility for China made the following points during a recent talk with an Embassy officer in Tokyo:

--there has been no change in China's policy toward Japan since the President's trip, and none is expected;

--the Chinese will never deal with Prime Minister Sato;

--while the Chinese eventually desire improved relations with Japan, the PRC's short term tactics will be to isolate the GOJ domestically by helping all those in opposition to Sato;

--a corollary to this will be greater PRC effort at improving relations with other Asian states, thus isolating Japan as the only government unwilling to deal with the PRC;

--a significant improvement in Japanese-Soviet relations could cause China to alter its "waiting" policy toward Japan;

--China will probably not make use of Japanese Ex-Im Bank credits;

--Japanese-Chinese disagreement over the Senkaku Islands would not go beyond a war of words;

--the PRC position on the Senkaku issue is based on Chinese nationalism and should not be viewed as a barometer of Chinese attitudes toward Japan.

*Pol. Chicom - Japan*

*3*

*EA / SP Pawkins: gtl*

*WPM*

Authority AND 969035  
By [Signature] NARA Date 2/1/72

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Comment: While the Japanese official may be forgiven for stressing the importance of Japan in China's foreign policy, his comments do indicate a realistic assessment of the difficulties involved in improving relations with Peking.

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Drafted: EA/J:SPDawkins:gt1  
x23153:3/28/72  
Concurrence: EA/J:RAErison [Signature]

**01523**

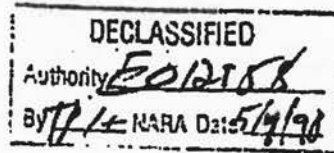
**1972/04/06**



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DEPARTMENT OF STATE

Washington, D.C. 20520



April 6, 1972

SECRET ATTACHMENT

Memorandum for: NSC Secretariat  
The White House

Subject: Briefing Papers for Mr. Kissinger's  
Trip to Japan

As agreed between Mr. Holdridge and Mr. Platt, the attached draft papers on "Removal of U.S. Aircraft from Naha Air Base" and "Senkakus" are submitted for review. On receipt of your comments, we will prepare them in final form.

  
Secretariat Staff

Attachments:

1. Briefing paper on "Removal of U.S. Aircraft from Naha Air Base".
2. Briefing paper on "Senkakus".

SECRET ATTACHMENT

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BRIEFING PAPER

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Authority EO 12858  
By TP/K NARA Date 5/4/98OKINAWA: Removal of U.S. Aircraft from Naha Air Base

Background - As one of the final decisions in the reversion negotiations, and one of the few in which a State/Defense impasse had to be resolved by the President, the USG agreed to exert every effort to remove all U.S. Navy aircraft from Naha Air Base and to relocate them "elsewhere" (i.e. within Japan or Okinawa) by Reversion Day. We reached a classified understanding with the GOJ that it would fund these relocations as part of the overall Okinawa financial settlement. During the ensuing months, the GOJ repeatedly pressed us to provide the necessary relocation plan and detailed costing data. The GOJ stressed to us on many occasions that its agreement to fund the relocations was a politically sensitive subject and, for this reason, it wished to conceal the classified agreement and the appropriation of funds from Diet scrutiny. To do so, the GOJ needed the information well in advance of December 29, 1971, the date on which the regular Diet session was to convene. However, DOD did not transmit the relocation plan to the GOJ until December 18, 1971, and did not provide the detailed cost breakdown until December 28, 1971, too late for GOJ consideration prior to the convening of the Diet.

The relocation plan eventually submitted called for removal of the U.S. Navy P3 patrol squadron at Naha to the Futenma Marine Corps Air Station on Okinawa; the Navy Utility squadron (VC-5) was to be moved from Naha to Kadena Air Force base on Okinawa, as were the Marine Corps transient jets which are sent down to Okinawa from Iwakuni in Japan to conduct training exercises. As a result of these moves, Marine KC-130 aircraft presently at Futenma were to be displaced to Iwakuni. This, in turn, would displace P3 aircraft presently at Iwakuni to Misawa Air Base in northern Japan. (Note: Misawa has already been released to the GOJ and is now under the operational control of the Japanese Air Self Defense Force. It is State's opinion that Misawa, unlike some other air bases in Okinawa and Japan, is a relatively "safe" facility as far as the degree of local anti-base pressures are concerned). The P3 relocation plan required some construction at every airfield involved. The GOJ was very unhappy with the fact that bases on the main islands would be involved. In the end, the GOJ agreed, with the greatest reluctance, to accept the plan.

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Authority EO 12958  
By TJ/K NARA Date 5/4/98CONFIDENTIAL

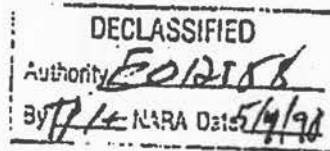
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As a result of the delay in our relocation decision, Japanese funding for this project became embroiled in recent bitter debates in the Diet over all aspect of Japan's current defense posture. The GOJ's inept handling of its own problems contributed to the atmosphere, but the fall-out in Japan from our China initiative, with the opposition parties attacking Sato for being unable to effect a rapprochement with Peking because of the allegedly "militaristic" nature of the US-Japan security relationship, was also a major factor. The opposition also charged the US with using Japan as a "dumping ground" for US Forces deployments in the Far East while at the same time it was cutting back its own force structure in other countries in the area. The debate became so heated that the GOJ's Fourth Defense Build-up Plan has been subjected to strong attack and the Sato administration is now in a state of paralysis as far as decision-making on defense matters is concerned.

After a number of vacillating approaches to arrange relocation funding, the GOJ finally decided that it would defer all action on this problem until after Diet adjournment (probably in early or mid June). The GOJ's current plan is to fund the construction at that time out of the GOJ Contingency Fund, which can be obligated only when the Diet is not in session. Of course, by delaying any action until after the Diet recesses, the GOJ has made it impossible to move the aircraft by Reversion Day. The GOJ is rebutting attacks by saying that it was opposition obstructionism that made it impossible to arrange relocation funding in time.

Although this issue has now quieted down somewhat in Japan, it is almost certain to flare up again at the time of reversion when it will be evident to the Japanese and Okinawan public that not only has the Navy not left Naha airstrip but relocation plans do not appear to be underway elsewhere either. This controversy will be considerably exacerbated if, and when, it becomes known in Japan and Okinawa that the projected removal of C-130 aircraft from Taiwan to Okinawa in first quarter FY 73 is directly tied in with the P3 relocation package and is one reason why all aircraft affected by the relocation plan could not be accommodated on Okinawa. If this situation develops, it will be commensurately more difficult for the GOJ to follow through with necessary arrangements for P3 removal from Naha under the terms of the relocation plan.

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GOJ Position - The GOJ has accepted our "billiard ball" relocation plan but strong elements within the GOJ and the LDP feel that the moves of US aircraft into Iwakuni and Misawa will be politically embarrassing, especially if it becomes clear that funds from a classified portion of the reversion agreement are being used by the GOJ to pay for the necessary construction. (Under the SOFA, the Japanese are not obliged to finance construction on US bases to accommodate movement of US military units). The Japanese may say that:

- The US should reconsider its relocation plan and attempt to accommodate all aircraft and even non-flying activities now associated with Naha at other US bases in the Ryukyus.

USG Position - We have already made a significant political gesture in agreeing to return Naha AB completely to Japanese occupancy at reversion. The relocation plan we have submitted contains certain advantages to us. It permits the bringing together of presently dispersed Marine C-130 aircraft at a single air base (Iwakuni). It maintains the presence of some US aircraft at Misawa, a fairly remote and trouble-free base, and it allows room for the eventual move of the C-130's from Taiwan to Kadena. We recognize Japan's political problems but feel that we have already made major political concessions on the Naha aircraft issue. Moreover, it would be physically impossible to relocate all aircraft on Okinawa as the Japanese have requested.

Talking Points:

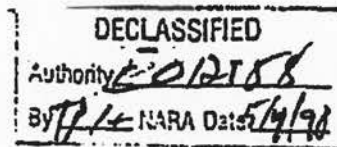
- We appreciate the GOJ's political difficulties with this issue.
- Our operation requirements, however, dictated the relocation plan that we have submitted.
- It would be physically impossible to accommodate all of the aircraft involved on our other bases in Okinawa.
- We will cooperate as closely as we can with the GOJ to ease the problems associated with our movement under the relocation plan.
- Until the GOJ can arrange necessary funding and construction for these relocation moves, we will continue to use Naha as a base of operations for these Navy aircraft.

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BRIEFING PAPER

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SENKAKUS

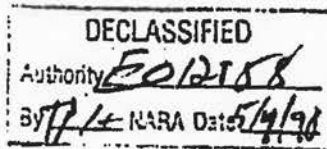
Background - Under the provisions of the Okinawa Reversion Treaty, the Senkaku Islands - called Tiao Yu Tai by the Chinese - will be returned to Japanese administration along with the rest of the Ryukyus on May 15, 1972. The Senkakus are located on the Continental Shelf, separated from the rest of the Ryukyus by the very deep waters of the Okinawa Trench. Oil exploration in recent years has indicated that there may be vast reserves of oil on the Continental Shelf, to which possession of the Senkakus would give energy - starved Japan at least a tenuous claim. This has focused world-wide attention on these uninhabited and previously unheard-of rock atolls, and during the past several years both the PRC and the GRC have claimed sovereignty over them. They have been the subject of demonstrations in Taiwan and the GRC has asked us not to return them to Japan.

The US decided during the course of the reversion negotiations that we had little choice other than to return these islands to Japan along with the rest of the Ryukyus. World War II American and Japanese maps showed the Senkakus as within the area then administered by Japan as part of Okinawa Prefecture and within the area taken over by the USG under Article 3 of the Peace Treaty with Japan. We have maintained, however, that the act of returning administrative control over these islands to Japan does not add to the legal rights Japan possessed before the islands were transferred to US authority, nor does it diminish the pre-existing rights of other claimants, since these would predate our involvement with the Ryukyus.

The PRC and, in milder tones, the GRC have attacked us for our "pro-Japanese" position in the dispute as evidenced by our agreeing to return these islands to Japan. They have also cited our agreement with the Japanese in the Reversion Treaty to retain several (infrequently used) US Navy gunnery ranges in the islands as further evidence of our lack of neutrality. (The Japanese press also has played this up as evidence of US support for the Japanese position).

GOJ Position - On March 17 and again on March 23 the GOJ officially informed the Department of its unhappiness with the public position of neutrality being taken by the USG and pointed out the inconsistency, at least in Japanese eyes,

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of this public stance with the USG request for retention of gunnery ranges in the islands. The GOJ indicated that it understands why the USG feels it must remain uninvolved in this dispute, but requested that in any future public statements we avoid using words or phrases which will in any way undercut the Japanese position or inflame Japanese public opinion against the US. A copy of the Japanese statement in support of its pre-war claim to the islands is attached.

USG Position - The GOJ requested, and we agreed, that in responding to press queries on this subject we would not refer to the existence of conflicting "claims" to "sovereignty" over the islands, since the official GOJ position is that there are no "claims" to these islands other than the Japanese claim. We informed the GOJ that although we have accommodated GOJ requests by revising somewhat our press guidance, this in no way implies that we have shifted from our basic position of non-involvement in this dispute. There is also attached the current press guidance on the Senkakus issue; the GOJ has not taken issue with it.

Talking Points -

- the wisest course of action in this potentially volatile nationalistic and territorial issue is to focus as little public attention on it as possible. (The GOJ has recently been using this issue to solidify Japanese public opinion on the China question).

- Although the USG press guidance has been revised somewhat to accommodate GOJ requests, this in no way implies a shift in the basic US position of neutrality in the Senkakus dispute.

- If the GOJ asks whether the Mutual Security Treaty will apply to the Senkakus after reversion (we have already had a press inquiry on this) you should reply that the terms of the Security Treaty apply to "territories under the administration of Japan" and therefore could be interpreted to apply to the Senkakus.

Attachments:

1. Foreign Ministry Statement, 3/8/72
2. Press Guidance

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**01544**

**1972/06/00**

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Authority EO 12151  
By TK/NARA Date 5/4/90

THE SENKAKU ISLANDS

1. Background. Under the provisions of the Okinawa Reversion Treaty the Senkaku Islands -- called Tiao Yu Tai (Fishing Reef) by the Chinese -- will be returned to Japanese administration along with the rest of the Ryukyus on May 15, 1972. The Senkakus are located on the Continental Shelf, separated from the rest of the Ryukyus by the very deep waters of the Okinawa Trench. Oil exploration in recent years has indicated that there may be vast reserves of oil on the Continental Shelf, to which possession of the Senkakus would give energy-starved Japan at least a tenuous claim. This has focused worldwide attention on these uninhabited and previously unheard of rock atolls, and during the past several years both the PRC and the GRC have claimed sovereignty over them. They have been the subject of demonstrations in Taiwan and the GRC has asked us not to return them to Japan.

The U. S. decided during the course of the reversion negotiations that we had little choice other than to return these islands to Japan along with the rest of the Ryukyus. World War II American and Japanese maps showed the Senkakus as within the area then administered by Japan as part of Okinawa Prefecture and within the area taken over by the U. S. under Article 3 of the Peace Treaty with Japan. We have maintained, however, that the act of returning administrative control over these islands to Japan does not add to the legal rights Japan possessed before the islands were transferred to U. S. authority, nor does it diminish the pre-existing rights of other claimants, since these would predate our involvement with the Ryukyus.

The PRC and, in milder tones, the ROC have attacked us for our "pro-Japanese" position in the dispute as evidenced by our agreeing to return these islands to Japan. They have also cited our agreement with the Japanese in the Reversion Treaty to retain several (infrequently used) U. S. Navy gunnery ranges in the islands as further evidence of our lack of neutrality. (The Japanese press also has played this up as evidence of U. S. support for the Japanese position.)

2. Japanese Position. On March 17 and again on March 23, the Japanese Foreign Office officially informed the State Department of its unhappiness with the public position of neutrality being taken by the U. S. Government and pointed out the inconsistency, at least in Japanese eyes, of this public stance with the U. S. Government request for retention of gunnery ranges in the islands. Japan indicated that it understands why the U. S. feels it must remain uninvolved in this dispute, but requested that in any future public statements we avoid using words or phrases

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which will in any way undercut the Japanese position or inflame Japanese public opinion against the U. S.

3. Recommended U.S. Position. Japan requested, and we agreed, that in responding to press queries on this subject we would not refer to the existence of conflicting "claims" to "sovereignty" over the islands, since the official Japanese position is that there are no "claims" to these islands other than the Japanese claim. We informed Japan that although we have accommodated Japanese requests by revising somewhat our press guidance, this in no way implies that we have shifted from our basic position of non-involvement in this dispute. Enclosed at Attachment 1 is the current press guidance on the Senkakus issue; the Japanese Government has not taken issue with it.

Suggested Talking Points

- The wisest course of action in this potentially volatile nationalistic and territorial issue is to focus as little public attention on it as possible. (The Japanese Government has recently been using this issue to solidify Japanese public opinion on the China question.)
- Although our press guidance has been revised somewhat to accommodate Japanese requests, this in no way implies a shift in the basic U. S. position of neutrality in the Senkakus dispute.
- If Japanese officials ask whether the U. S. -Japan Mutual Security Treaty will apply to the Senkakus after reversion (we have already had a press inquiry on this), you should reply that the terms of the Security Treaty apply to "territories under the administration of Japan," and therefore could be interpreted to apply to the Senkakus.

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Your Japan Visit -- Scope Paper

The way that your schedule is shaping up, you will be meeting with an impressive cross-section of influential Japanese leaders: top government officials, Liberal Democratic Party and opposition political figures, important Japanese businessmen, university professors, senior editors, and a wide swath of the Japanese press at large. The groups which these people represent collectively make up the Japanese "Establishment," which in a very Byzantine way exercises very heavy weight in the determination of Japanese attitudes and policies.

Accordingly, despite the shortness of your visit you should be able to make a significant imprint on Japanese thinking with respect to the major issues which are bound up in the US-Japanese relationship. The Japanese will pay very close attention to what you say, and while they may not necessarily at the outset agree with your position--indeed, you can expect some carping criticism in your wake--they will certainly mull over very carefully the implications of what you tell them. The effects of this could begin to be felt later on.

A priori, there are a number of general points which you might wish to focus upon:

- Reducing the emotionalism of Japanese reactions to U.S. policy initiatives. Although the worst effects of the "Nixon shocks" have now passed, many Japanese appear to retain a rancour and suspiciousness which impairs the restoration of a greater degree of Japanese trust and confidence in U.S. intentions. (The cable at Atch 1, for example, describes the bitterness of those in the Foreign Office long associated with policy toward the U.S. who feel that the Nixon shocks pulled the rug out from under their long-term defense of Japan's alliance with the U.S.) In part persisting Japanese suspicions are probably due to a basic Japanese tendency toward over-reaction to surprises. In part they are probably to be explained by Japanese parochialism and a tendency toward over-dependence on us. Nevertheless, its effects on our relations could be ameliorated by an explanation of the unique nature of the July 15 announcement, and a dispassionate review of the policy considerations as you see them and the advantages to Japan of moves such as the President's China visit.

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- Helping the Japanese see the relationship with the U. S. in a more mature way, i. e., as a partnership based upon a mutuality of interest and responsibility, and not on more selfish considerations. In the years since World War II the Japanese have come to look upon us as a protector, and have slipped into the habit of taking the U. S. for granted in this role; at the same time, the ethnocentric, "tribal" nature of Japanese society has caused the Japanese to strike out toward national goals with only such deference to the U. S. relationship as seemed necessary to keep us quiet. Thus, feeding upon the emotionalism noted above, the Japanese can in fact think of "betrayal" when we make major moves such as the President's China initiative, which seem to them to leave them out on a limb. Emphasis on the theme of US-Japanese interdependence, genuine equality, and reciprocity, but as a two-way street, might do some good on this score. A lesser degree of Japanese dependence on the U. S. offers us no problems so long as the mutuality of our interests is kept in mind.
  
- Reiterating that the U. S. intends to stay on in East Asia and the Pacific. This theme is intimately related to the previous theme, and a vital balance needs constantly to be struck between them in talking with the Japanese. In encouraging the Japanese to move toward a more mature relationship with us, we should assure them we are not trying to rid ourselves of the responsibilities of our alliance with them. Some ranking Japanese officials, for instance, are interpreting the call in this year's Foreign Policy Report for greater equality in our relationship as a U. S. desire to divest itself increasingly of its security and other responsibilities toward Japan and to have Japan stand on its own. Thus, we should work persistently on Japanese suspicions that we will leave them in the lurch, and that we are subtly pushing them to rearm and to assume part of our regional security responsibilities. Embassy Tokyo's recent cable (at Atch 2 ) provides insight into this problem of balance.
  
- Restoring a greater measure of Japanese confidence in long-range U. S. intentions in Asia. Probably the most immediate basic policy problem in our relationship is that of restoring a greater measure of Japanese confidence in our intentions in Asia, particularly as regards China policy. The outcome of the President's Peking visit, as interpreted by our subsequent official statements and Marshall Green's mission, substantially

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reduced Japanese anxieties. Still, the Japanese leadership professes uncertainty and concern as to our near and longer-term thinking about China policy, particularly as regards Taiwan. In addition, there are concerns about Korea, the Moscow trip, Japan's defense buildup, Japan's role in Asia, Southeast Asia, and economic relations. Fundamentally, what the Japanese leadership needs is a sufficient idea of our intentions in these areas to be able to adapt and harmonize their own policies with ours in advance of significant moves on our part.

- Deflecting Japanese attention away from China as the main issue in US-Japanese relations. The President's China initiative has added greater stress to what was already the leading issue in Japanese domestic politics (in part as a result of how the Japanese themselves have behaved in response to it). The China issue now overshadows and distorts many other important political, economic, and politico-economic elements in our relationship. Inevitably, Japanese attention during your visit will concentrate on China, but as the one who will be expected to do most of the talking the initiative will be yours in shifting to a broader range of important topics.
- Knocking down the concept that the U.S. is dumping Japan in favor of the PRC, due in part to the fact that the PRC is a military and nuclear power and Japan isn't. You have of course said many times that our relationship with Japan is vital to peace in the Pacific, and will not be jettisoned despite the beginning of improved US-PRC relations, but it needs saying again, as does the theme that Japan has not been "betrayed."
- Countering criticism that there is not Japanese expertise available to you. You are probably aware that this criticism is coming at you from many quarters, including those in the U.S. as well as in Japan (e.g., from State and from academic circles). A possible way of dealing with it is to point out that apart from the President's July 15, 1971 announcement, which was a special case, all policy moves affecting Japan have been very carefully worked out in the NSC system and that the best Japanese expertise from all agencies was drawn upon.

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There will be two important constraints on what you can say and do in Japan:

- First, Peking will be watching your visit with interest, to put it mildly, and you will not want to say anything either in public or in private which could be used to create frictions in US-PRC relations. For example, one line which you have frequently used with Japanese in Washington would be risky in Tokyo, i. e., that we in the U. S. will never trade away our fundamental partnership with Japan for the sake of a limited mitigation of hostility with the PRC, which remains our enemy. Even if said in camera, this would leak.
  
- Second, what you say, particularly on China policy, may well be exploited in the current succession race in the LDP by the contenders. (Sato is expected to step down shortly after the current Diet session ends on June 16, the LDP convention to elect his successor will probably follow in mid-July, and a special Diet session will routinely confirm the LDP choice as Prime Minister probably a few days later.) One or more of the contenders may try to extract some benefit from something you say or from access to you. Their focus will almost surely be on China policy, but will probably also include security, trade, and Okinawa Reversion. On China policy, Sato and Fukuda would prefer to stand on Sato's current response to Peking's three preconditions for direct, official discussions to normalize relations (see Tab C, page 2). (Background paper at Tab A.)

#### The Specific Issues in Current US-Japanese Relations

State's assessment of the current state of US-Japanese bilateral relations is at Tab B. We have included it in its entirety with only minor editorial changes both to give you the full flavor of State's somewhat parochial attitude and to assure the Japan specialists in State that their opinions do get through to you. It is, in fact, quite a good round-up of items of bilateral concern-- quite an improvement over the State submission to the NSSM 122 paper last October, when the Japan Desk characterization of the US-Japanese relationship was much less balanced. Our own comments to each of the anticipated Japanese positions are indicated in brackets, thus giving you an additional set of more particularized talking points on US-Japanese bilateral relations.

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The following is a brief checklist of the issues the Japanese are likely to raise with you or those they hope you would raise:

- China pol'cy. As regards the President's China visit, Japanese leaders will want reassurances we made no secret deals, and agreed to nothing that would hurt Japan's vital or important interests. They will also be interested in your explanation of what our position in the joint communique on the resolution of the Taiwan question really means, and how we see that question ultimately being resolved. They will want to explore our intentions as regards our defense commitment and troop presence on Taiwan, and the extent of our continued support for Taiwan's international position (most immediately as regards continued ROC participation in the international financial institutions). Tokyo will also be much interested in what we intend as regards the development of trade and exchanges with Peking, and the future of official US-PRC contacts. (Position papers at Tabs C and D.)
  
- Korean Peninsula. Tokyo wants reassurances that we intend to honor our defense commitment to the ROK and continue our military presence there. It would also like to have our view of tentative Seoul-Pyongyang steps toward accommodation, what thoughts we have on the Korean question in the UN. Last, Japanese leaders will be interested in U.S. views of Japan's increasing contacts with North Korea, as well as our own intentions as regards contacts with Pyongyang. (Position paper at Tab E.)
  
- The Moscow Trip. The Sato Government will be interested in everything you can tell them about the SALT and other agreements reached in Moscow, and how these would affect Japan. They of course will be concerned for any discussion of Japan's role in Asia that we might engage in with the Soviets. (Position paper at Tab F.)

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- Japanese Rearmament. Japanese leaders, who in the past year have become less certain as to long-term U. S. intentions in Asia, now wonder if the U. S. no longer opposes Japan's rearmament, including the acquisition of nuclear weapons, and envisages Japan's assuming a regional security role as we reduce our forces in Asia. Many Japanese, despite our subsequent denial, are still bothered by the statement attributed to Secretary Laird's press spokesman during Laird's Japan visit last July to the effect that we would not look with disfavor on a Japanese nuclear capability. Other indications the Japanese have seized on include the lack of reference to the NPT in this year's Foreign Policy Report, our failure to continue pressing Japan to ratify the NPT, and your reported statement at a recent press backgrounder that Japan will have nuclear weapons in ten years. (Position paper at Tab G.)
- Economic Relations. Japan is extremely concerned about current U. S. intentions toward her and the future of her economic relationship with the U. S. Believing that she has moved far in reducing import barriers, revaluing currency, and promulgating an "emergency" 7-point program to hold down reserves and stimulate imports, and sensitive to Japanese domestic pressures on this score, the Sato Government may ask for a respite from further U. S. pressure on trade and economic matters for the remainder of 1972. In the longer term, Japan is wary of being excluded from U. S. markets and may raise this issue. (Position paper at Tab H.)
- Vietnam. The Japanese leadership is concerned that we not withdraw from Southeast Asia so rapidly that we badly destabilize the situation there or raise further questions as to the constancy of U. S. intentions in Asia generally. More immediately and more specifically, they will be interested in your assessment of and reaction to the current North Vietnamese offensive, both as to the situation on the ground and to the prospects for a negotiated settlement. The mining of North Vietnamese ports and attacks on the North will be of concern to them. They also may raise the question of the PRC role in Indochina. (Position paper at Tab I.)

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- Okinawa Reversion. The Sato Government has continued under some opposition pressure because of several aspects of the Reversion Treaty -- transfer of the P-3 ASW aircraft from Naha Air Base to elsewhere in Okinawa or Japan, guarantees of Okinawa's nuclear-free status at Reversion, the continued presence of the VOA relay station, and claims settlement arrangements. It is possible that Japanese leaders may raise one or more of these specific problems. (Position paper at Tab J.)
  
- Senkaku Islands Territorial Claim. The Sato Government which of course claims it has the only legitimate claim to the Senkakus (which are also claimed by Taipei and Peking), may press you to change the U. S. position that the matter should be resolved between the claimants. (Position paper at Tab K.)
  
- U. S. Use of Bases in Japan. While it is not too likely, Foreign Minister Fukuda or other officials may raise with you the question of B-52 evacuation from Guam to bases in Japan for weather purposes, or -- and even less likely -- the question of "extended deployment," i. e., homeporting of a carrier task group at Yokusaka Naval Base. The Embassy is currently discussing the B-52 question with the Foreign Office; the Embassy approached the Foreign Office on the homeporting problem initially a year ago, and State and Defense are now discussing a follow-up to that discussion. (Position paper at Tab L.)

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ISSUES AND TALKING POINTS

Bilateral Issues

US Military Presence in Japan

Japanese Position

The Japanese leaders appear to be divided on how they should cope with increasing domestic pressures for return of US military-use areas. The most senior members of the Japanese establishment favor, for the foreseeable future, the continued presence of a sizeable US military force structure in Japan.

US Position

The Japanese leaders at Honolulu will be looking for your strong reiteration of support for the US-Japan Security Treaty and for the continuation of our present security relationship. They also, however, will be looking for any clues that would indicate a reduction of US Forces in Japan and the Far East.

You should anticipate questions concerning US Government attitudes on the future security situation in the Far East in the aftermath of the Peking and Moscow summits, and how the "lessening of tensions in the area" will impact on the Security Treaty and the US Government's requirements for military facilities. The Japanese will want to know if we have any plans for return of facilities on Okinawa, particularly some of the US Forces recreational areas discussed at San Clemente.

We recommend that you:

-- reiterate in strong terms USG support for the Mutual Security Treaty and for the indefinite continuation of our present security relationship. In this

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regard, you should stress that the President's Peking and Moscow initiatives in no way compromise our essential security relationship with Japan.

-- say that it is too early to tell whether, and to what extent, a continuing downturn in hostilities in Indochina and the consolidation of detente in East Asia will result in cutbacks in US Forces presence in the area.

-- state that any rapid reduction in US Forces in Japan would probably have a destabilizing effect as far as the consolidation of detente is concerned and that no sizeable reduction is anticipated.

-- reiterate the statement which you made at San Clemente that GOJ views concerning base reductions on Okinawa "will be taken fully in consideration in working out mutually acceptable adjustments in facilities and areas on Okinawa consistent with the purpose of the Mutual Security Treaty." You should be prepared to reconfirm, if asked, the agreement reached at San Clemente for the return of a US Forces recreational facility.

-- point out that timely GOJ acceptance and implementation of the Kanto Plains Consolidation Plan will help defuse public pressures for reduction of US military presence in the Tokyo area.

-- If the GOJ raises the matter of "emergency stationing," stress that such a plan could result in severely adverse consequences if what is meant by this term is large scale withdrawal of US Forces from Japan with reentry only during a crisis situation. You should point out that there would be no way of reentering under such conditions without seriously escalating the very crisis atmosphere we were seeking to avoid.

-- Only if Tanaka gives you a suitable opening, such as expressing a hope that we will maintain a significant naval presence in the Western Pacific, it is suggested that you say that in order to maintain our carrier strength in the Pacific, it will be important that we be able to increase the number of naval dependents living in Japan and that Ambassador Ingersoll and Johnson will be discussing the matter with the Foreign Office staff at Honolulu.

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Okinawa: Post-Reversion Problems

1. B-52 Weather Evacuations

Japanese Position

The GOJ has been responsive to our requirements for use of Kadena by B-52's weather-evacuated from Guam. Prime Minister Tanaka called the July 8-9 evacuation operation "unavoidable." The GOJ has requested, however, that it be given as much advance notice of evacuations as possible and that, at the same time, we provide detailed information concerning the weather conditions in the Guam area necessitating the evacuation operation. The GOJ has requested on several occasions that we not begin using Kadena as a regular stopping off point for B-52's returning from Vietnam, or permanently station B-52's there. The GOJ (and the Japanese people) also would react very negatively to any use of mainland Japan bases by B-52's.

US Position

We understand Japanese sentiments concerning use of mainland Japan bases by B-52's and do not intend to land B-52's at these facilities, except in dire emergency. We are, however, using mainland Japan bases for relocation of KC-135's and other aircraft removed from Kadena and other WESTPAC facilities to make room for B-52's at those facilities. We also are endeavoring during weather evacuations to disperse B-52's at other air bases in WESTPAC in addition to Kadena.

We recommend that you:

- assure the GOJ that we will use Kadena only for weather evacuations and that we will not station B-52's there or use it on a regular basis as a refueling point for B-52's returning from Vietnam.
- assure the Japanese that we will provide them

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as much advance notice of weather evacuations as possible and we will also continue to give them detailed information on the weather conditions necessitating the evacuation operations.

## 2. Removal of Navy Aircraft from Naha AB

### Japanese Position

The GOJ has accepted our relocation plan but strong elements within the GOJ and the LDP feel that the moves of US aircraft into Misawa will be politically embarrassing, especially if it becomes clear that funds from a classified portion of the reversion agreement are being used by the GOJ to pay for the necessary construction. The Japanese may say that:

-- The US should reconsider its relocation plan and attempt to accommodate all aircraft and even non-flying activities now associated with Naha at other US bases in the Ryukyus. The GOJ has recently asked the Embassy if US plans for Naha aircraft relocation are still firm.

### US Position

We have already made a significant political gesture in agreeing to return Naha AB completely to Japanese occupancy at reversion. The relocation plan we have submitted contains certain advantages to us. We recognize Japan's political problems but feel that we have already made major political concessions on the Naha aircraft issue. Moreover, it would be physically impossible to relocate all aircraft on Okinawa as the Japanese have requested.

### We recommend that you:

-- say that we appreciate the GOJ's political difficulties with this issue.

-- note that our operational requirements,

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however, dictated the relocation plan that we have submitted.

-- state that it would be physically impossible to accommodate all of the aircraft involved on our other bases in Okinawa.

-- say that we will cooperate as closely as we can with the GOJ to ease the problems associated with our movement under the relocation plan.

-- state that USG relocation plans remain firm and until the GOJ can arrange necessary funding and construction for these relocation moves, we will continue to use Naha as a base of operations for Navy aircraft.

### 3. Removal of VOA

#### Japanese Position

VOA continues to be a sensitive issue in Japan and the GOJ has clearly indicated that it expects the Okinawa VOA facility to be removed within the five-year period referred to in the Treaty.

#### US Position

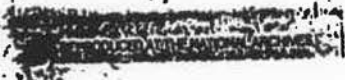
We are aware that VOA almost certainly will be required to relocate its Okinawa facility within five years, and other possible broadcast sites in neighboring countries are being explored. The most likely relocation site is Korea. The ROK has indicated that it would welcome such a move and has suggested that Cheju-do might be an appropriate location. Our position remains, however, that we cannot leave Okinawa until a comparable substitute facility has been constructed.

We recommend that you:

-- say that we appreciate the political problems

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created for Japan by the presence of VOA on Okinawa and are prepared to carry out our side of the agreement as provided in the Reversion Treaty.

-- state that we cannot move this station, however, until an adequate substitute facility has been constructed and we will need to have as much prior notification as possible of any GOJ intention to initiate the relocation consultations referred to in the Treaty.

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Senkakus

Japanese Position

On March 17 and again on March 23, 1972, Ambassador Ushiba officially informed the Department of the GOJ's unhappiness with the public position of neutrality being taken by the US Government and pointed out the inconsistency, at least in Japanese eyes, of this public stance with the USG request for retention of gunnery ranges in the islands. The GOJ indicated that it understands why the USG feels it must remain uninvolved in this dispute, but requested that in any public statements we avoid using words or phrases which in any way undercut the Japanese position or inflame Japanese public opinion against the US.

US Position

The GOJ requested, and we agreed, that in responding to press queries on this subject we would not refer to the existence of conflicting "claims" to "sovereignty" over the islands, since the official GOJ position is that there are no "claims" to these islands other than the Japanese claim. We informed the GOJ that although we have accommodated GOJ requests by revising somewhat our press guidance, this in no way implies that we have shifted from our basic position of non-involvement in this dispute.

We recommend that you:

-- say that the wisest course of action in this potentially volatile nationalistic and territorial issue is to focus as little public attention on it as possible. (The GOJ in the past has used this issue to solidify Japanese public opinion on the China question).

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-- if asked by the GOJ concerning our public position, you should read the press statement and say that although USG press guidance has been revised somewhat to accommodate GOJ requests, this in no way implies a shift in the basic US position of neutrality in the Senkakus dispute.

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## Responsibilities of Japan as a Surplus Country

### Japanese Position

The Japanese recognize that their foreign exchange reserves and trade surplus are too large and have made certain general and specific commitments to reduce them. Prime Minister Tanaka has stated the desirability of reducing the bilateral surplus with the United States to the \$2.0-2.9 billion range during this Japanese fiscal year ending on March 31, 1973. Steps have been taken to stimulate domestic demand. The Japanese have agreed to a minor liberalization of restrictions on import distribution facilities and computer imports, and advance purchases of US agricultural products and enriched uranium are in the offing.

### US Position

We appreciate what Japan has promised to do to help reduce the trade surplus. However, Japan must examine what more can be done to fulfill its responsibility as a major surplus country. There are many areas in which it is possible for the Japanese to take action which will facilitate the balance of payments adjustment process.

#### We recommend that you:

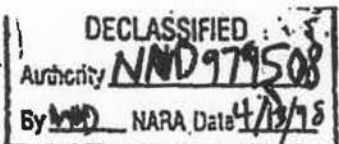
-- acknowledge that Japan is acting as a responsible surplus country.

-- express appreciation of the monetary and trade measures that Japan has already taken to facilitate the balance of payments adjustment process.

-- stress that further action is needed to bring Japanese-American trade toward a balance.

-- commend Tanaka for stating his desire to reduce the bilateral trade surplus with the United States to \$2.0-\$2.9 billion for this Japanese fiscal year.

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-- urge Tanaka to aim at the lower end of this target.

-- point out that resolution of this problem should not be viewed in terms of Japanese "concession" to the United States but rather in terms of Japan's own interest in preserving its markets in the U.S. as well as elsewhere in the world.

-- point out that additional steps to facilitate the balance of payments adjustment process could include:

1. Further stimulation of the Japanese economy.
2. Additional measures to encourage Japanese foreign investment.
3. A campaign to expand Japanese tourism -- especially to the United States.
4. Further action to stimulate Japanese purchases of American industrial and agricultural products.

(You will subsequently be briefed on the status of the negotiations that are now underway on trade and financial questions.)

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Narcotics

Japanese Position

Japan has no significant domestic drug abuse problem. Like many other nations which have the problem at home well in hand, Japan has not felt a need to become involved internationally. The Japanese, however, are aware of the potential danger posed by the growing international scope of the problem and are sympathetic to US efforts in this field.

US Position

We recognize and respect Japan's success in dealing with the domestic drug abuse problem. We would welcome greater Japanese cooperation and support in our international efforts to control the illicit narcotics traffic. Specifically, we continue to hope for a Japanese contribution to the UN Special Fund for Drug Abuse Control (UNFDAC).

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US-Japanese Space Cooperation

Japanese Position

The Japanese have embarked on an ambitious space program, the success of which depends to a significant extent on US assistance. They are at present considering whether to undertake a meteorological satellite program which would require US launch assistance.

US Position

US-Japanese cooperation in space continues to serve overall US interests in our relations with Japan.

We recommend that you:

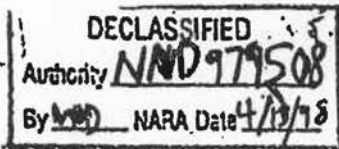
This area need not be raised with the Japanese, but should the opportunity arise:

-- state that the United States is very pleased with the extensive program of space cooperation developed between the US and Japan in recent years.

-- reaffirm our support of their space program and our continuing desire to fulfill our commitment in the 1969 US-Japanese Space Cooperation Agreement.

-- urge the Japanese to consider favorably the contribution of a meteorological satellite to the Global Atmospheric Research Program in the mid-1970's.

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## US-Japan Environmental Cooperation

### Japanese Position

Prime Minister Tanaka is likely to emphasize the high importance he and his government give to environmental issues, which loom large in Japanese politics.

He is almost certain to express approval of US-Japanese environmental cooperation and to express the hope that the degree of cooperation can be improved. He may explain that for internal bureaucratic reasons the Japanese government finds it hard to centralize formally authority in the Japanese Environmental Agency, but that his government is seeking ways around this problem.

The Prime Minister may express Japan's concern that environmental issues not create problems for Japan's access to raw materials. He may suggest some form of US-Japanese cooperative attention to this problem. He may also express concern over possible environmental non-tariff barriers.

### US Position

The US shares fully Japan's concern with environmental issues.

The US values its environmental cooperation with Japan, which began with an exchange of letters in September 1970 between the President and Prime Minister Sato, and hopes to intensify cooperative efforts.

The US hopes to work further with Japan in the international sector, particularly the follow-up to the Stockholm Conference, on conservation of whales, and on marine pollution matters. In addition, the US hopes that the two nations can help achieve adoption by the developed nations of comparable economic policies in the environmental field.

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## Cultural and Educational Exchange

### Japanese Position

The Japanese government, which heretofore has been largely a passive recipient of the benefits of cultural exchange, has come to see the need for a more active role in improving communication with other countries. Earlier this year it announced the establishment of the Japan Foundation, a government-funded entity whose function will be to promote greater understanding of Japan through cultural and educational programs abroad, but chiefly with the United States. The Foundation will be initially endowed at \$32 million equivalent and will go into effect on October 1, 1972. Grants will be awarded to American scholars in Japanese Studies and scholars wishing to conduct comparative research, and short-term invitational tours of Japan will be offered to US leaders in the media, politics, labor and other professions. Close coordination with US government exchange programs has been assured.

### US Position

The United States considers it necessary to increase efforts to overcome barriers to communication with Japan that arise from fundamental cultural differences. New and improved programs in educational and cultural exchange are an important means to this end. It is the US hope gradually to increase funds for the Japan exchange program, to focus this program more sharply on areas most critical or most responsive to improved understanding, to stimulate and support involvement with Japan by private institutions of all types and to coordinate programs closely with the new Japanese government exchange program.

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Department of State  
August 1972

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SENKAKUS.

Under the provisions of the Okinawa Reversion Treaty, the Senkaku Islands (called Tiao Yu Tai by the Chinese) were returned to Japanese administration along with the rest of the Ryukyus on May 15, 1972. The Senkakus are located on the Continental Shelf, separated from the rest of the Ryukyus by the very deep waters of the Okinawa Trench. Exploration in recent years has indicated that there may be vast reserves of oil on the Continental Shelf, and possession of energy-starved Japan to Continental Shelf resources. These claims have focused world-wide attention on these uninhabited and previously unheard-of rock islets, and during the past several years both the PRC and the GRC have claimed sovereignty over them. They have been the subject of demonstrations in Taiwan and the GRC has asked us on several occasions not to return them to Japan.

The US decided during the course of the reversion negotiations that we had little choice other than to return these islands to Japan with the rest of the Ryukyus. World War II American and Japanese maps showed the Senkakus within the area then administered by Japan as part of Okinawa Prefecture and within the area taken over by the US Government under Article 3 of the Peace Treaty with Japan. We have maintained, however, that the act of returning administrative control over these islands does not affect our basic position of non-involvement in the controversy.

The PRC and, in milder tones, the GRC have attacked us for our "pro-Japanese" position in the dispute, as evidenced by our agreeing to return the islands to Japan. They have also cited our agreement with the Japanese in the Reversion Treaty to retain several (infrequently used) US Navy gunnery ranges in the islands as further evidence of our lack of neutrality. (The Japanese press also has played this up as evidence of US support for the Japanese position).

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An additional problem concerning our position of neutrality relates to Article V of the US-Japan Mutual Security Treaty. This Article says, in part, that each Party to the Treaty agrees "that an armed attack against either Party in the territories under the administration of Japan would be dangerous to its own peace and safety and declares that it would act to meet the common danger." Since the US has publicly recognized that administration of the Ryukyus (including the Senkakus) has been returned to Japan, some Japanese argue that the provisions of Article V clearly apply in the case of protection of the Senkakus against foreign (i.e. Chinese) encroachments and that our public position of neutrality is, at best, rather inconsistent. The GOJ and the Japanese press, although aware of this apparent inconsistency in our position, have chosen for the moment not to play up this particular aspect of the Senkakus problem. We can anticipate, however, that increased attention will be focused on Article V in the future -- particularly if relations between the Japanese and Chinese over the Senkakus issue worsen as a result of large oil discoveries.

Another troublesome aspect of the problem is that American petroleum companies are active with Japanese firms in the search for oil in Japanese offshore waters. Some offshore concessions held by American companies from Taiwan and Korea overlap Japanese territorial claims. In particular, the concession held by Gulf Oil in the area around the Senkakus represents a potential source of friction with the Chinese, whether nationalist or communist. So far, we have successfully avoided direct US Government involvement by warning our companies, and telling the nations concerned, that we will not be a party to territorial disputes regarding the North Asian Continental Shelf.

Attachments:

Japanese Foreign Ministry Statement of March 8, 1972  
Press Guidance

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Department of State  
August 1972

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**1974/03/09**

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MEMORANDUM OF CONVERSATION

March 9, 1974

SUBJECT: Views of the Defense Minister

PLACE: Charge's Residence

PARTICIPANTS: Minister Sadanori Yamanaka, Director General  
of the Japan Defense Agency  
Mr. Keiichi Tachibana, Counsellor for Foreign  
Relations, Japan Defense Agency  
Charge d'Affaires ad interim, American Embassy  
Tokyo  
Mr. Tadao Kobayashi, Political-Military Affairs

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IPS by Galy Date MAY 31 2002

Following are the highlights of Minister Yamanaka's remarks  
at a two and half hour luncheon at the Charge's Residence:

A. Security Relationship

In response to the Charge's questions as to what problems he sees lying ahead in the US-Japan security treaty relationship, Minister Yamanaka expressed general satisfaction with the state of that relationship. He said that he could not go along with former Defense Minister Nakasone's call for a general review of Japanese society and government in the mid-1970's (including the Constitution and Japan's security ties with the U.S.). Japan must do its part in the security field; it cannot expect the United States to aid a country which does nothing. In the Diet, he said, he has often been told by the Opposition that the Security Treaty is not necessary because there is no threat. His ready reply has always been that the Treaty is a great success simply because it is not felt to be needed. "One does not feel the need for

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air until one is deprived of it; the treaty is like that," he said.

Yamanaka felt the need, however, for much closer US-Japan consultations on defense matters. He said he did not see the need to abolish or change existing forums for inter-governmental consultations, such as the Security Consultative Committee (SCC) but he found these to be much too formal. In connection with the SCC meeting in January 1974, for example, he said that Foreign Minister Ohira had simply telephoned him about the agenda, and that was it. The participants followed a script, and any deviation was noticed. Moreover, Yamanaka said, his closest counterpart is CINCPAC, who is concerned only with Pacific affairs. What is needed, Yamanaka said, is cabinet-level consultations between the two governments on defense matters.

#### B. Visit to U.S. and Europe

Yamanaka said, therefore, that one of the main reasons for his trip to Washington after the current Diet session in May is to meet with Defense Secretary Schlesinger, with whom he hopes to be able to establish a personal relationship similar to his relationship with Environmental Agency Director Russell Train and General Lampert, former High Commissioner of the Ryukyu Islands, during his tenure as Director General of the Prime Minister's Office.

In his meetings with Secretary Schlesinger, Yamanaka said, he wished to have frank discussions on how Japan fits into DOD's world-wide strategic view. In particular, Yamanaka indicated, he wished to pursue two topics which he had briefly mentioned at the last SCC meeting:

Paracels and the Senkakus - Yamanaka said that the U.S. had taken a "hands-off" attitude toward the recent South Vietnam - PRC dispute over the Paracels. He said that Japan needs to know whether the U.S. considers the Senkakus to be within the area covered by the Security Treaty. Since the Senkakus are Japanese territory, Japan would fight if the PRC were to attack the islands. In this situation, Japan would have to know what action the US Forces would be prepared

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to take. The Charge said that it is the position of the U.S. that the Senkakus were under Japanese administration at the end of the war and had been restored to that status by the Okinawan Reversion Agreement. He further stated that the U.S. takes no position on possible conflicting claims to sovereignty over the islands, since any such conflict predated and was not affected by our occupation of the Ryukyus or the terms under which they were returned to Japanese administration. The U.S., of course, strongly believes that any such conflicts should be resolved peacefully. The Charge offered his personal view, however, that the Senkakus fall within the scope of the Security Treaty since we acknowledge them to be territory under the administration of Japan. Yamanaka said that as Defense Minister, he would have to know more about U.S. intentions -- i.e., what the U.S. intended to do if the PRC were to attempt to wrest the Senkakus from Japan.

Soviet SA-6 - Yamanaka also said that he wished to query Secretary Schlesinger on the possibility of providing Japan with technical information on the Soviet SA-6 missile system. Japan has great need for a mobile SAM system such as the SA-6, but will be unable, of course, to buy it from the Soviets. Yamanaka said that he understands the U.S. is doing research on SA-6's captured by the Israelis and made available to the U.S.

In addition, Yamanaka said that he wished to ask Secretary Schlesinger what action the US Forces would take in case of a Soviet invasion of Japan, for example in Hokkaido. Would the U.S. give ground as well as Naval and Air support to Japan?

If time allows, Yamanaka said, he would also visit Sweden, West Germany and Great Britain. He said that he expected to learn much from Sweden, a neutral nation adjacent to the Soviet Union with only eight million population which, nevertheless, maintains an excellent civil defense program and a military R&D program. He said he wished to visit West Germany, a nation defeated in war like Japan, but which, in order to defend itself, changed its constitution to establish a powerful military force and remains a firm U.S. ally and member of NATO. He is interested in England since it, like Japan, is an island nation which has lost its colonies.

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Yamanaka said that he has received several proposals to visit France, and the JSO has urged him to do so to look over some "interesting" military hardware. He said, however, that he would forego a visit to France because "that nation is too self-centered." In his view, France wants NATO benefits and stations its troops in West Germany, but will not allow any of its allies to be based in its territory. It is selling Mirages to the Arabs to assure its oil supply. Yamanaka said that he has nothing to learn from a country like France.

C. "Complementarity"

Yamanka said that the GOJ has decided that Japan definitely needs an ASW capability, and that he has received information from JSDF experts on the feasibility of producing ASW avionics domestically and installing it in the PXL (still in the planning state), or, alternatively, purchasing from the U.S. (P-3, Boeing 737), United Kingdom (Nimrod), or France (Atlantique). Yamanaka said that he has transmitted this information to the Experts' Committee of the National Defense Council which will make the final decision.

In considering these alternatives, Yamanaka said the GOJ must take into account domestic R&D capability and effectiveness, as well as cost. Mr. Kobayashi added that US Forces in Japan are using the P-3, and that if the JSDF were to adopt it, both forces would be able to "talk" to each other in an emergency.

The Charge said that former Foreign Vice Minister Hogen had favored detailed technical discussions between Japan and the U.S. to explore other possibilities for increasing "complementarity" between the two forces. Yamanaka said that this was a very good idea, and that U.S. and GOJ military experts should get together for such talks. Yamanaka said the GOJ experts will keep him fully informed.

D. Follow-On to Fourth Defense Build-Up

Yamanaka said no decision has yet been made on the form of the defense plans after completion of the Fourth Plan in March 1976. Some favor a "rolling plan," in which fixed costs, such as personnel and O and M, will be carried in the annual budget,

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and long leadtime items, such as new weapons systems, will be provided for in separate plans. (Yamanaka implied that these plans will not be consolidated as in the past.)

E. Opposition Parties

Yamanaka said that he had an exceptionally easy time at the Lower House budget hearings this year. His cabinet colleagues have been complaining to him that unlike in the past, they did not enjoy a "boei vacance" while defense matters were debated at length in the Budget Committee. Yamanaka said defense matters took up only one day of debate.

At this year's hearings, Yamanaka said, the JCP raised the Allende overthrow and its possible implications for Japan. He said JCP interpellators asserted that the JSDF is anti-JCP and is being indoctrinated in anti-communism. Yamanaka said that his response was to the effect that the JSDF is not against the JCP per se since it is a legal party in Japan, but that Marxist-Leninism is wrong, and it was against this that JSDF is being indoctrinated. (Yamanaka added that, of course, the JCP without Marxist-Leninism would no longer be communist.)

Yamanaka said he had no problems dealing with the JSP in the budget hearings. Asked about the defense orientation of the Komeito, Yamanaka said that although the party has come up with an anti-Security Treaty line, it has not really made up its mind. Its members are 70 percent conservative, Yamanaka said.

Cleanance: Charge (in draft)

P/M:TKOBAYASHI:wm

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**1974/03/28**





EMBASSY OF THE  
UNITED STATES OF AMERICA  
Tokyo, Japan

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DODIA  
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March 28, 1974

OFFICIAL - INFORMAL  
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William C. Sherman, Esquire  
Country Director,  
Office of Japanese Affairs  
Bureau of East Asian and Pacific Affairs  
Department of State  
Washington, D. C. 20520

Dear Bill:

Enclosed is a Memcon on a luncheon conversation I had with Yamanaka earlier this month. As you can see, he is very much interested in making the trip to Washington, primarily to get to know Secretary Schlesinger on a personal basis and to engage in frank talks on some sensitive issues. He will, of course, want to see Secretary Kissinger; but in my talk with him, Yamanaka did not seem to expect this to come about. He seems to regard his trip to Europe of secondary importance.

I think it would be to our net advantage to have Yamanaka come to Washington. We have not had a visit by a Japanese Defense Minister since Nakasone in 1970. Yamanaka's main purpose in making the trip may well be, of course, to enhance his political standing; but I do not see adverse fallout from such a trip, either from the standpoint of our security relationship or domestic politics. Thus far, he has been a highly articulate and effective Defense Minister who has done much to pull the JSDF out of the doldrums. While we have had problems with him on OBCP and other issues, he has been a forthright advocate of the US-GOJ security relationship. He may not be in office beyond the cabinet reshuffle expected after this summer's election, but he will

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remain on stage in one cabinet post or another for many years to come. Consequently, I feel that we should make something of an effort for him, including getting him in to see the Secretary or Deputy Secretary of State early in his visit. Of course, we will need to have a clear understanding with him on press handling, particularly regarding his talks with U.S. officials.

Following receipt of your letter of March 12, I raised this question informally with Mr. Okawara. Okawara told me that Yamanaka had briefed him on our luncheon conversation and indicated that he had discussed Yamanaka's travel plans. In response to my direct question, Okawara said that he saw no problems with Yamanaka making such a trip to the United States and, in fact, thought it would be helpful. I did not ask whether such a trip would have the Prime Minister's blessing, but certainly Okawara gave no indication that he thought this would be a problem.

Okawara did, however, raise Yamanaka's interest in the Senkaku issue and asked whether the U.S. might in some way be able to endorse Japan's territorial claim. I said that I saw little if any possibility of our going beyond the position we have already taken on that issue. In addition, I urged that Yamanaka be advised not to press for any clarification of what U.S. reactions might be in the event that some threat to those islands should develop. I emphasized that I thought it would be very unhelpful for Yamanaka to do this and Okawara seemed to agree completely.

In sum, I think that we should be responsive to Yamanaka's interest and try to arrange for a visit to Washington between the end of the Diet session (probably around the first week in May) and the beginning of the election campaign. I believe that an invitation from Secretary Schlesinger would be a good gesture and might give us some leverage in ensuring that there is no unfavorable fallout from the visit, a possibility I think small in any event. I would hope that an invitation from Secretary Schlesinger could be transmitted through the Embassy so that I would have an opportunity to see Yamanaka again and get a better fix on how the trip should be arranged.

Sincerely,



Thomas P. Shoemith  
Charge d'Affaires ad interim

*Final. Intelligence Program*

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(See inside cover)

**Interagency  
Intelligence  
Memorandum**

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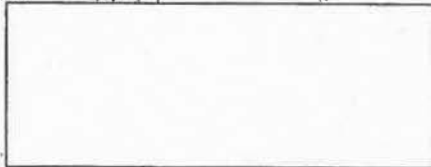
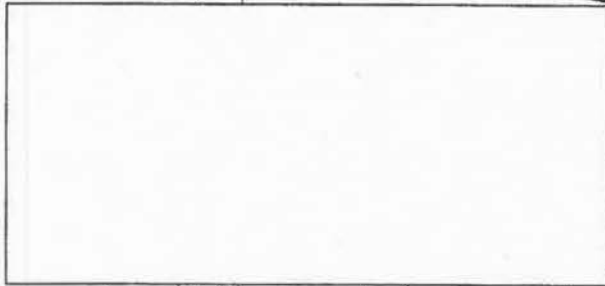
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*PRC Military Options in the East  
and South China Seas*

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December 1975  
NIO IIM 76-005  
(Reissued February 1976)

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PRC MILITARY OPTIONS IN THE  
EAST AND SOUTH CHINA SEAS

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## PRC MILITARY OPTIONS IN THE EAST AND SOUTH CHINA SEAS<sup>1</sup>

### NOTE

This paper assesses the military options (for planning or implementation) available to the PRC through 1978 in the areas of the East and South China Seas. In addition to Taiwan and the Taiwan Strait, attention is focused on the offshore islands and the Peng-hus in the East China Sea, and on Pratas Reef and the Spratlys in the South China Sea. *The conclusion is that it is unlikely that the PRC will initiate any major military confrontation in these areas during the near term, although the PRC is likely to extend gradually its activities in the waters of the Taiwan Strait and the South China Sea. The PRC would be unable to mount a successful nonnuclear invasion of Taiwan much before 1980.*

<sup>1</sup> This memorandum has been prepared jointly by the Defense Intelligence Agency and the Central Intelligence Agency with contributions from the Bureau of Intelligence and Research, Department of State.

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## THE PROBLEM

Since the establishment of the People's Republic of China (PRC) in 1949, Peking has insisted that Taiwan is Chinese territory and has vowed to "liberate" and reunite the island with the mainland. Peking has also claimed other smaller island areas in the East and South China Seas, most recently on November 25, 1975 in a tough statement aimed at North Vietnam and the USSR in the authoritative *Peoples Daily*. Although Chinese leaders have repeatedly indicated a political solution would be the preferred means of acquiring the claimed territories, they have also stated that China would not rule out the use of force in solving the Taiwan problem. The PRC, moreover, used force against the South Vietnamese garrison in seizing the Paracels early in 1974. Peking, therefore, has preserved its options on how to regain claimed territories and could attempt a forceful solution if efforts at a political solution fail or severe provocations occur. Peking's policy also allows for various military pressures as part of the option mix. For example, the PRC used force against the Republic of China (ROC) military forces on the offshore islands of Quemoy (Chin-men) and Matsu in 1958 and carried out a major defensive build-up in the Strait in 1962.

In the case of Taiwan, Peking's nonmilitary pressures may be insufficient to bring about a negotiated settlement:

- Diplomatic isolation has not affected Taiwan's economic viability as a *de facto* independent state nor weakened its will to resist negotiations with Peking.
- Peking has limited economic leverage against Taiwan because the island republic has maintained an extensive network of informal and commercial relations, because Taiwan will undoubtedly continue to have an adequate supply of petroleum, and because the island has been able to cope with the effects of the present world economic recession.
- Peking's united front tactics have had little effect against the fairly stable internal political situation on Taiwan. Beefed-up PRC propaganda broadcasts to Taiwan in September 1975 and the PRC release of Kuomintang prisoners during the year were examples of Peking's continuing attempts to keep pressure on Tai-



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wan. However, ROC mainlanders and native Taiwanese both have a great investment in Taiwan's continued prosperity and relatively high standard of living. The principle of reunification also runs counter to the general separatist sentiment among the native Taiwanese.

Thus, military measures could appear to the leaders in Peking to be a necessary additional tool, although the leadership would be reluctant to undertake any military action where chances of success were not assured.

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## DISCUSSION

## CONSTRAINTS AND THEIR IMPLICATIONS

1. There are significant constraints—political, economic, and military—upon Peking's use of military action to regain its claimed territories in adjacent seas (see Figure 1). While these factors would be major constraints upon an invasion of Taiwan and the P'eng-hus (Pescadores), they would be less of a restraint against increased "non-belligerent" military activity or small-scale operations in areas not covered by treaty with the United States.

## The International Equation

2. China's reluctance to knock skilter the delicately balanced Sino-US-Soviet triangle is probably the most important political constraint. The American connection helps China avoid an armed conflict with the Soviet Union. This has been of sufficient importance to Peking that it has agreed to maintain *de facto* diplomatic relations with the US despite the United States' formal recognition of Taiwan and US security guarantees for the island. Peking would be particularly reluctant to make any major military move prior to the US presidential election of 1978.

3. Peking is anxious to prevent the growth of Soviet influence in Southeast Asia as well as that of Hanoi. Aggressive PRC military action in the Taiwan area or the South China Sea would alarm nations in Southeast Asia such as the Philippines and Thailand which China is currently cultivating and—if directed against Vietnam interests—could push Hanoi closer to Moscow.

4. PRC aggression against Taiwan could drive Japan away from China and perhaps closer to the Soviet Union while strengthening the arguments of those in Japan who advocate national rearmament and domestic development of nuclear weapons. PRC military action against Taiwan might also contribute to instability in the Korean peninsula, something Peking would prefer to avoid.

## Military Constraints

5. The US-ROC Mutual Defense Treaty is a major obstacle to PRC military action against Taiwan. For the near term the PRC probably would be reluctant to take any action that reduced the possibility of formal US recognition of the PRC and abrogation of the treaty. Even if the US-ROC treaty were abrogated, Peking probably could not be sure the United States would not aid Taipei, especially in the first several years after the treaty's demise. Even while in effect, however, the treaty does not commit the United States to the defense of the offshore island groups such as Chin-men and Matsu or of those islands in the South China Sea claimed and garrisoned by the ROC.

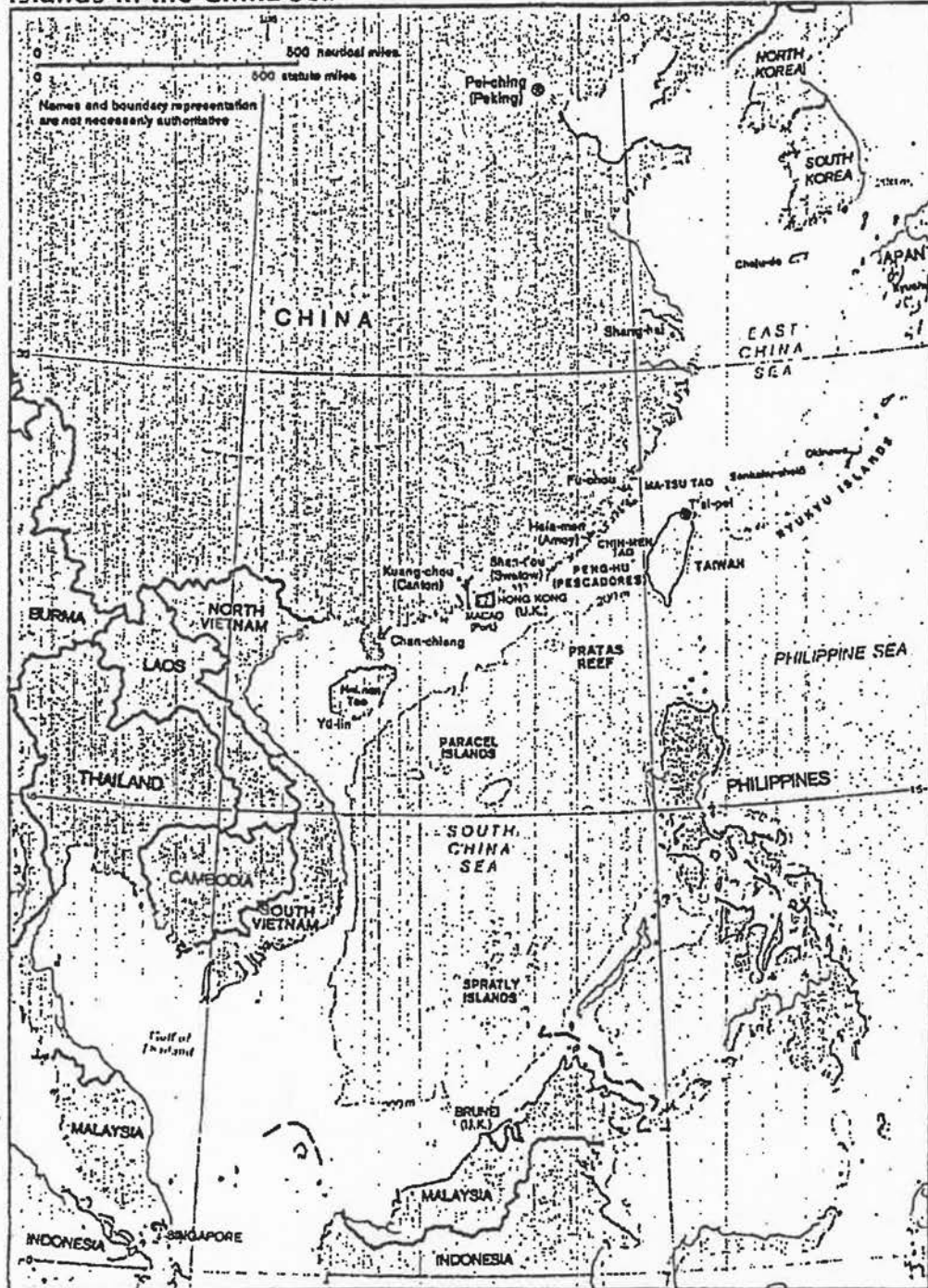
6. Small operations, such as an assault on Pratas Reef (Tung-sha), could be undertaken without affecting China's overall defense posture. Also, China has sufficient personnel and material resources to attempt small amphibious operations against the lightly defended island garrisons in the Spratlys in the South China Sea. Amphibious operations against the heavily defended offshore islands or Taiwan would be extremely costly in men and

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Islands in the China Sea

Figure 1



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materiel. It could take years for the military sector to regain its losses after a large-scale operation to invade Taiwan. War damage in Taiwan would also result in expensive rehabilitation costs and a hostile population.

7. To attack Taiwan, Peking would have to draw on its strategic reserve in central China as well as on air forces now generally committed to protection of its northern border, thus adversely affecting its strategic posture vis-a-vis Moscow. Moreover, Chinese preoccupation with a major operation against Taiwan could present Moscow with opportunities for increased pressure against China, including conventional military operations against the mainland; this is a risk that Peking would be extremely reluctant to run.

8. There are significant factors inhibiting amphibious operations by the PRC, particularly across the Taiwan Strait. These include a shortage of amphibious landing ships, the lack of a modern shipborne air defense system,<sup>2</sup> limited air control systems, and the need for extensive force training and the establishment of a command-and-control system for large operations of this type. The most critical barriers to establishing and maintaining a beachhead on Taiwan are the shortage of amphibious landing ships and the limited capability to resupply a large force. These could be remedied before 1980, but only if the PRC embarked on a concerted building program and attempted to expand its logistic capability in the near future. A major training program also would have to be implemented afterwards. But a building program for amphibious ships would disrupt other ship construction projects, and there is, moreover, no evidence that the PRC has embarked on any of these programs.

9. Taiwan would surely detect a PRC attempt to improve its capability to launch an invasion of Taiwan. With or without US support, the ROC almost certainly would respond with a military build-up of its own. This build-up could offset the improvement of PRC capabilities. However, in the unlikely event of a Sino-Soviet rapprochement, the PRC would be able to concentrate its attention almost entirely on invasion preparations:

<sup>2</sup> This is not essential if air superiority has been gained.

Under such circumstances the ROC would probably be unable to match the PRC effort.

#### PROVOCATIONS AND SITUATIONAL CHANGES

10. Despite all of these constraints, there are certain provocations and situational changes which, though unlikely over the short term, could motivate the PRC to consider military action:

— A formal declaration of Taiwan independence. This is highly unlikely in the near term, particularly under the present leadership of Premier Chiang Ching-kuo. Such a declaration would be an act of desperation, as it could provoke a PRC attack, could undermine political stability in Taiwan, and would probably not gain the support of the US.

— An ROC approach to the USSR. This too would be an act of desperation. Premier Chiang is adamantly against this, and there seems little the ROC or the USSR could gain from a relationship. However, such an approach could be urged upon Chiang if there were a perceived loss of US guarantees of military support and if PRC actions became more aggressive toward Taiwan.

— ROC development of a nuclear explosive device.

the ROC is aware that development of such a nuclear device would jeopardize its relations with the US and provoke Peking.

— Leadership changes in the PRC that would call for increased pressures on the ROC and the US to resolve the Taiwan problem sooner. Such pressures might conceivably result from internal factors, and could be linked to some measure of accommodation with the USSR.

— A Vietnamese initiative to take complete control of the Spratly Islands. Such action might result in a preemptive operation to seize the entire Spratly group despite possible damage to Chinese foreign policy objectives in Southeast Asia, i.e., despite fears of increased Soviet

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influence in Vietnam and alienation of the Philippines which maintains a presence in the islands. The PRC could, alternately, undertake to occupy the ROC-held island of Itu Aba if it perceived that the Vietnamese were preparing to take the island.

#### OPTIONS

11. The constraints and the limited possibility for provocative changes, described above, lead to the conclusion that it is unlikely that the PRC will initiate any major military action in these areas during the near term. Nevertheless, in the strategic mix of actions designed to acquire Taiwan, military pressures—as well as political, psychological, economic elements—are already present. An examination of military options follows.

##### A. Gradual Expansion of PRC Activity in the Taiwan Strait

12. China's military strategy will probably be one of increasing pressure in increments small enough to avoid alarming the United States while at the same time large enough to cause growing concern on the part of the ROC leadership. In this regard, a gradual expansion of PRC activity in the Taiwan Strait is most likely (see Figure 2).

13. In the past, Peking has been reluctant to conduct extensive air operations over the Strait, and, to our knowledge, PRC aircraft have never flown sorties near or over Taiwan. To do so would represent a high risk of confrontation because the ROC air force overflies the entire Strait area. We have no evidence yet pointing to a change in this PRC policy.

14. The Chinese have made some moves during the past two years that indicate that the balance of naval power in the Strait area is beginning to change. Three Riga class guided-missile destroyer escorts passed through the Strait during the Pratacel Islands confrontation, the first time that a PRC major naval unit had made such a transit. The Chinese have also begun to deploy missile boat squadrons in the northern approaches to the Strait, a move that substantially increases Chinese capabilities to react militarily and foreshadows the establishment of other missile boat squadrons in the southern approaches. In addition, small naval units have begun

to venture farther from the coast. The Chinese seem determined to assert their right to use the Strait more extensively, but are expected to operate relatively close to the mainland. At the same time, they probably will expand their naval forces in the area.

15. The effect of the gradual shift in the balance of power in the Strait area appears to be somewhat greater freedom for PRC naval forces. PRC missile boats are an inhibiting factor for the ROC Navy, and Taiwan has expressed concern about their presence. It is probable, however, that both sides will attempt to limit the risk of confrontation, but the possibility of miscalculation clearly increases as forces in the area build up.

##### B. Operations Against the Offshore Islands

16. The likelihood of a major operation to take or blockade the offshore islands in the near term is low. The political constraints may be slightly less serious than would apply to Taiwan and the P'eng-hus covered by the US-ROC Mutual Defense Treaty, but conflict in the area could reawaken US memories of previous crises and arouse fear that Peking had opted for a military solution to the Taiwan problem. Moreover, the military costs to the PRC would be very high for the results that might be achieved. The islands' loss would not substantially affect Taiwan's economic viability and might only draw attention to its viability as an entity independent of the mainland. Moreover, the islands symbolically and legally tie Taiwan to the mainland in the minds of the Chinese on both sides of the Strait.

17. If Peking made a decision to initiate military action, lesser measures such as blockade or harassment would be preferable to an assault. Harassing activity against the offshore islands or against traffic to these islands could occur in reaction to possible confrontations as the PRC expands its naval activity in the Taiwan Strait. Peking also could initiate harassing activity as part of a tougher, more militant stance toward Taiwan.

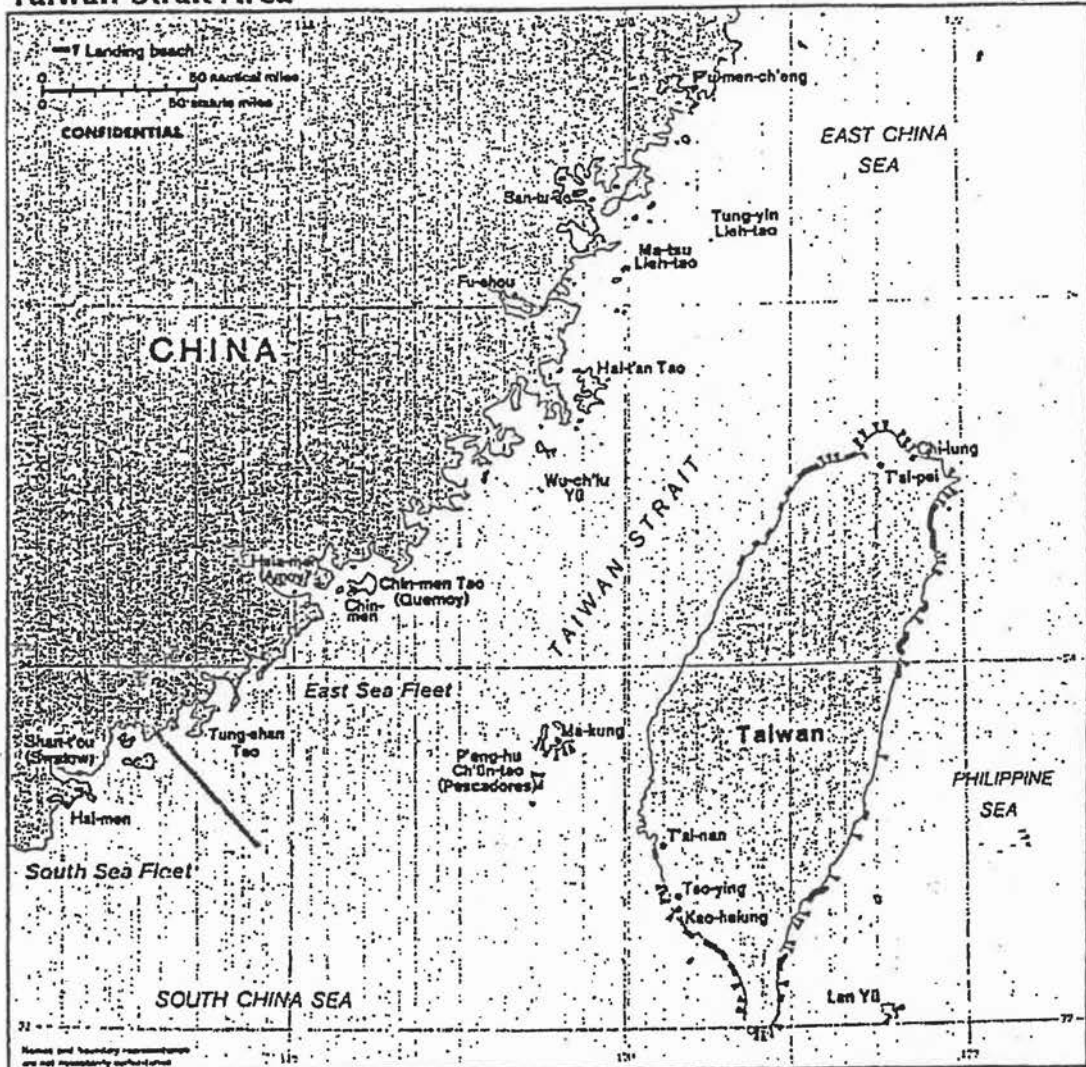
18. The offshore islands controlled by the ROC consist of four island groups: Chin-men (Qiemoy), Matsu, Wu-ch'iu, and Tung-yin. Only two are defended in strength: Chin-men, which is within four miles of the mainland and controls access to

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### Taiwan Strait Area

Figure 2



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the port of Hsla-men (Amoy), and Matsu, which is within seven miles of the mainland and controls the primary sea approaches to the port of Fuchou (see Figure 3). The two smaller island groups of Wu-ch'iu (about halfway between Matsu and Chin-men) and Tung-yin (northeast of Matsu), are manned only by small irregular units which receive low priority in ROC defense planning. Chin-men has numerous beaches suitable for amphibious operations and flat areas that could be used for airborne operations. The Matsus consist mainly of rugged hills and a rocky, precipitous shoreline with only a few minor beaches. One of the two airfields on Chin-men could be used by jet fighters. The forces deployed on Chin-men and Matsu constitute more than a fifth of the entire ROC army and include units at the highest state of readiness. Because most of the islands lie within artillery range of the mainland, the ROC has built extensive underground defensive positions. Heavily mined beaches, defensive obstructions, and narrow, shallow channels protect most approaches to the islands.

19. The PRC has demonstrated a capability and periodic willingness to harass the offshore islands. Chin-men and Matsu are, of course, within artillery range, and antiaircraft artillery in some areas can harass high-flying ROC aircraft if they are on the PRC side of the islands. PRC SAMs also could be deployed opposite the islands for more effective coverage of the air space. The PRC might attempt to impose restrictions on access to the islands as a means of exerting its control. PRC aircraft and naval units could interrupt military air and sea traffic or even the activity of ROC fishing boats in the vicinity. The PRC navy, however, would have to deploy missile combatants from the East and South Sea Fleets in the event of ROC counteraction, and Peking would have to expect an increase in ROC combat air patrols and air and naval escort activity with an enhanced probability of air and sea engagements between opposing forces.

20. The offshore island groups depend upon Taiwan for all classes of supply and are thus vulnerable to blockade. A blockade, which in Peking's eyes would be preferable to an amphibious assault, would effectively isolate a large portion of the ROC's best fighting men from Taiwan's own defense from the first day. The ROC alone is not capable of breaking a blockade there;

### C. Operations Against the P'eng-hu (Pescadores) Islands

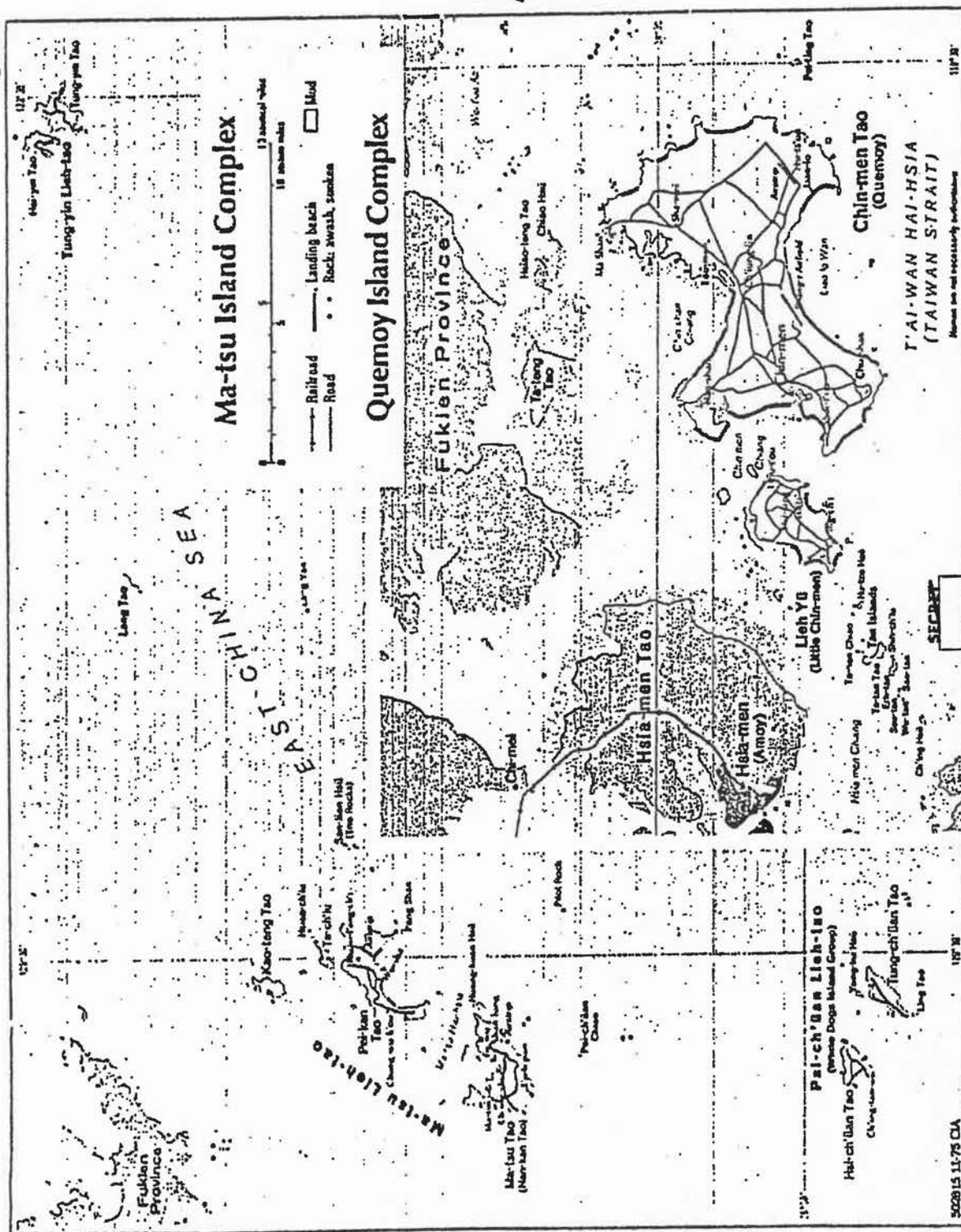
21. A PRC military operation against the P'eng-hu Islands is a most unlikely option in the near term. Not only would the constraints described above fully apply, but seizure of the islands is not essential for an invasion of Taiwan and the military preparations and costs would be high.

22. The P'eng-hu island group consists of over 60 small islands totaling some 45 square miles, which lie about 25 miles west of south-central Taiwan and about 80 miles from the mainland (see Figure 2, page 8). In general, the coasts are steep and rocky with a few isolated sand and pebble beaches banked by more moderate slopes. The ROC maintains a naval base there and a garrison of only one light infantry division and a special warfare group. Most of the islands have well prepared defensive positions. There is one beach suitable for a limited amphibious operation on the main island of Ma-kung where there is a seaport and an airport. The terrain provides good drop zones for airborne operations, although the weather is frequently unfavorable except in late spring and the summer.

23. A successful blockade of the P'eng-hus would require gaining air superiority, but this could be accomplished only at a fearful loss of aircraft. If Peking attempted to blockade the islands without first gaining air superiority, the PRC probably could not completely prevent the movement of supplies and troops from Taiwan, particularly by air.

24. The disadvantages of attacking the P'eng-hus outweigh the advantages. Possession of the P'eng-hus would aid in controlling the Taiwan Strait and provide a forward operating base for a PRC invasion of Taiwan. The United States, however, is committed under the Mutual Defense Treaty to come to the aid of the ROC in the event of an attack upon the P'eng-hus. Even if the US did not intervene, an amphibious assault upon the islands would be no simple matter. As indicated, an assault

Figure 3





upon the P'eng-hus would require the same air and naval preparation as an invasion of Taiwan.

25. Possession of the P'eng-hus, moreover, would almost certainly not force the ROC government to negotiate or surrender. The ROC would not be likely to capitulate so long as there were hope of repelling PRC forces on the beaches of Taiwan and hope of US intervention. With US support for Taiwan, the PRC enterprise would end in failure. Whether or not the United States did intervene, there would be a serious deterioration in Sino-US detente. Moreover, the USSR might attempt to exploit Chinese vulnerabilities resulting from such a confrontation. Considering all of the dangers and costs, the PRC would undoubtedly prefer to gamble its forces on the invasion of Taiwan than settle for the limited and uncertain gains involved in taking the P'eng-hus.


#### D. Operations Against Taiwan

26. Any operation against Taiwan Island is highly unlikely in the near term in view of the constraints and risks already described (most significantly the US-ROC Mutual Defense Treaty). Even in the event of provocations or major changes in the strategic situation so that there was no US involvement, the PRC probably would not have the capability to mount a successful nonnuclear invasion much before 1980 without unacceptable losses.

27. *Assault on Taiwan.* If Peking planned to launch an attack about that time, preparations would probably become apparent long before the event. These preparations would include an increase in the production of landing ships, specialized training in submarine warfare and amphibious operations, air-crew proficiency training, massive fleet training operations, development of modern shipborne air-defense systems, and the improvement of air-defense facilities opposite Taiwan.

28. To initiate an operation, the PRC would probably move its submarines into positions surrounding the island and deploy guided-missile patrol boats to cordon off the Strait area. Once this was accomplished, air and naval strikes would be initiated to destroy ROC air and naval forces.

29. 

  
30. Combat between the ROC and PRC air forces would be extremely costly to the PRC. Despite a pronounced numerical inferiority, the ROC air force has superior aircraft, skilled and experienced pilots, and an effective air-to-air missile system<sup>7</sup> whereas the PRC has few, if any, operational air-to-air missiles. Moreover, because most air combat probably would occur near Taiwan, PRC aircraft would be exposed to ROC surface-to-air missiles and ROC pilots would have longer time for air engagements than PRC pilots, whose operations would be shortened by fuel requirements for round-trip flights from the mainland.

31. Despite these disadvantages, the PRC could deploy a large number of aircraft to airfields within range of Taiwan and eventually overwhelm the ROC air force. Within 550 nm of Taiwan, the PRC currently has about 1,470 combat aircraft (1,220 air defense fighters, 110 fighter bombers, and 140 light bombers) against 288 ROC combat jet aircraft. Additional aircraft could be summoned from other areas of China, permitting the PRC almost continuous coverage of important areas of Taiwan.

32. The ROC navy, however, is currently being refitted with modern armament including missiles, anti-submarine rockets, and possibly torpedoes. By the end of this decade a number of units of the ROC navy should have firepower equaling that of PRC counterparts, but not that of the navy as a whole. However, Peking could still count on a numerical advantage in its efforts to gain uncontested control of the waters around Taiwan.

33. The most critical factors in any amphibious operation, however, are establishing and maintaining a beachhead. The PRC's shortage of amphibious landing ships and limited capability to resupply a large force clearly restrict its capabilities until at least 1980. It would probably take two years of concerted building to double the inventory of landing ships; but this would only provide a limited lift capability of about six divisions, which probably does not give the margin of superiority necessary

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to overcome the ROC opposing forces anticipated at the landing beaches.

34. Because of the limited numbers of amphibious landing ships presently available,<sup>3</sup> the PRC for the near term is not assured of landing enough heavy equipment in the initial beach assault to break out of the beachhead and gain a port to bring in the needed additional heavy equipment and troops. For a successful invasion, the PRC would need at least a 3 to 1 numerical superiority or a total of some 70 divisions.

35

37. The main limitation for the submarine force would be operating conditions in the Strait area. There, some relatively shallow depths, along with numerous navigational obstacles, provide hazards for combat operations. An effective naval blockade would require attacks on foreign shipping, a measure Peking would be reluctant to undertake.

#### E. Operations Against Senkaku Islands

38. The chances for a PRC military move against the uninhabited Senkaku Islands is low. No particular military advantages would be gained by occupying these islands, and any military activity in this potentially oil-rich area also claimed by Japan would endanger Sino-Japanese relations. However, the PRC could emphasize its sovereignty claims by occasional naval patrols to show the flag near the area.

#### F. Operations Against Pratas Reef (Tung-sha)

39. The PRC already has the capability to harass or seize Pratas Reef at any time, but the likelihood of attack is low because the gains—if any—would be very limited and an attack might have some adverse effect on PRC relations with neighboring states and the US

40. Pratas is a circular coral barrier reef, roughly 13 miles in diameter, with an island on the west side (see Figure 4). It is about 135 miles from the mainland and 240 miles southwest of Taiwan. The reef is claimed by both Chinas, but by no other nation. The ROC maintains a weather station and small garrison—about 400 men in all—on the island. The island has an airfield with a 5,000-foot concrete runway but few, if any prepared defensive positions. The reef area contains no known deposits of oil and is of little intrinsic military value. Four years ago a flotilla of 15 PRC ships circled the reef,

<sup>3</sup> Of the 450-500 units, only 35 are landing ships and the remainder are small landing craft. These units could lift only three infantry divisions and their equipment.

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but there was no exchange of shots, and the ships eventually withdrew.

41. Extension of maritime reconnaissance to include the reef area (which is within range of PRC fighter and bomber aircraft) is conceivable as China expands its activities in those waters. Seizing Pratas

[redacted] would be patently directed against the ROC. Such a step also could serve as a demonstration of willingness to use force eventually against Taiwan. Because the Pratas campaign would be an aggressive military operation, Peking would probably delay action until the Chinese came to feel that heavy-handed pressures to force a political settlement were both necessary and internationally tolerable. The seizure of Pratas could at the same time serve as a warning to Hanoi that China could take possession of all the islands China claims in the South China Sea and that Vietnamese military initiatives in the Spratly Islands could not be made with impunity.

42.

43. A blockade is also possible and would result in fewer casualties, but it might be lengthy unless the ROC defending troops were induced to defect. Pratas and the Spratlys are resupplied once in four months.

#### G. Operations Against the Spratly (Nan-sha) Islands

44. Operations against Spratly Island garrisons would be more difficult than against either the

Paracels or Pratas because of the much greater distance and the international complexities resulting from the presence of garrisons from three different countries. Near-term likelihood of PRC operations in the area is therefore low unless one of the claimants, most likely Vietnam, attempts to resolve the sovereignty question by force.

45. The Spratly Islands, an archipelago of about 80 rocks, reefs, cays, and small sand and coral islets all with a total land area of only one square mile, sprawl over a large area of the southern portion of the South China Sea (see Figure 5). They lie about 300 miles from Manila, 750 miles from Taiwan, 550 miles from the PRC island of Hainan, and 300 miles from Saigon. The most southerly islands are located on the continental shelf extending northward from East Malaysia. Sovereignty over the island group has been in dispute for over a century. Present claimants include the PRC, the ROC, Vietnam, and the Philippines. The possibility of discovering seabed resources in the area insures continuing friction over ownership. The PRC also claims they lie astride independent shipping lanes. The PRC is the only claimant that does not maintain a presence in the islands. The ROC presence consists of a single garrison of about 200-300 men on the island of Itu Aba (also called Tai-p'ing). There is a civilian population, all Chinese, of 100. Vietnam and the Philippines have small garrisons on four islands each. Vietnamese garrisons total about 100 men, and Philippine garrisons about 200 men. Two of the Vietnamese-garrisoned islands are in close proximity to Itu Aba and one, Sand Cay, is reportedly being fortified with new pillboxes.

46. To our knowledge, neither PRC naval ships nor aircraft have ever ventured to the Spratlys.<sup>6</sup> Major surface combatants or submarines would be necessary for patrols in the Spratly Islands because they are the only PRC naval ships with the unrefueled range to reach and patrol the islands. PRC patrols would encounter no ROC air opposition, and the ROC navy presently could offer only token resistance. However, the problem is complicated by the conflicting claims to the islands and the presence of Vietnamese and Filipino garrisons. A

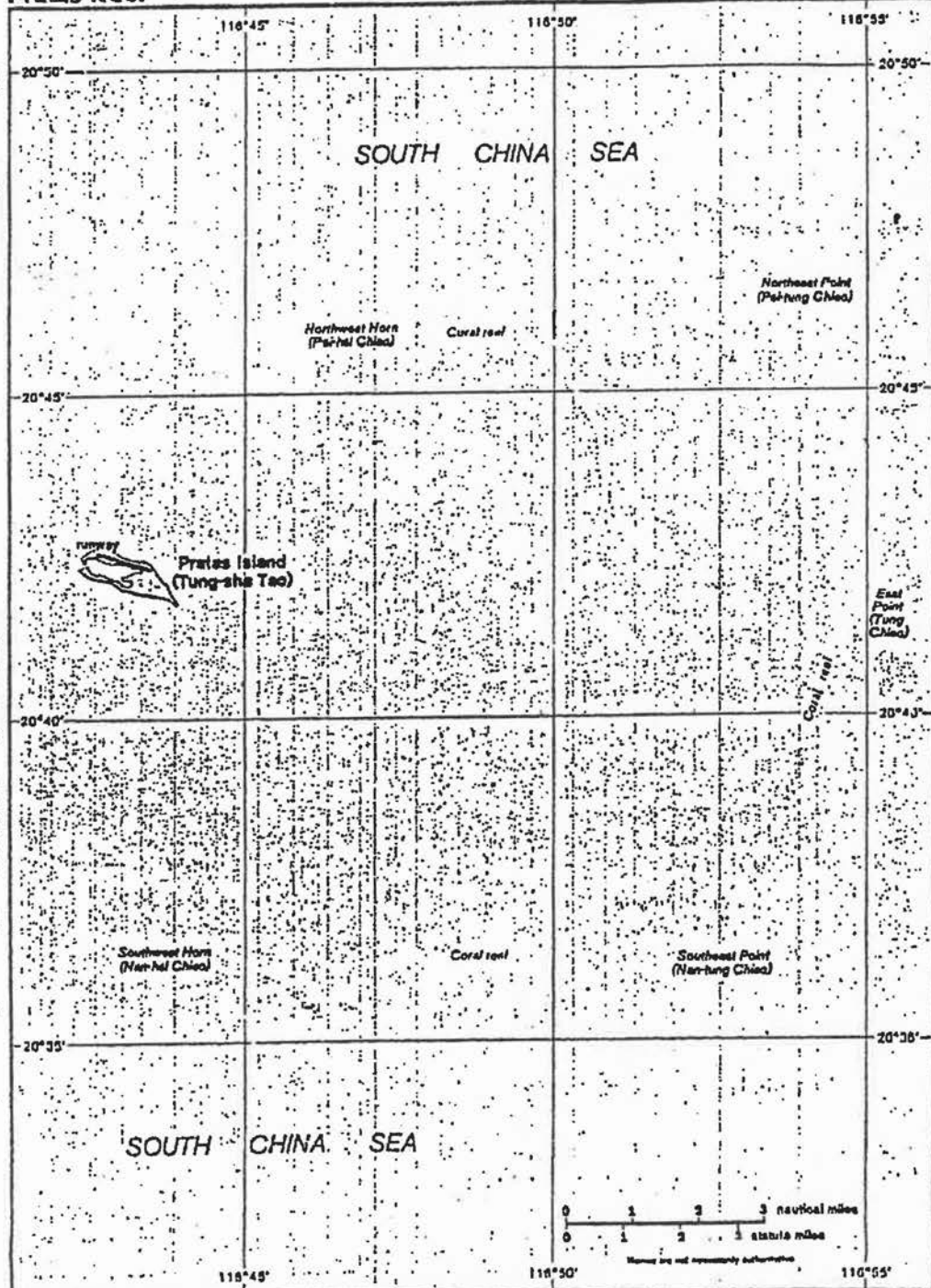
<sup>6</sup> It is estimated that 800 Chinese ground troops participated in the operation to seize the Paracel Islands.

<sup>6</sup> The PRC, nevertheless, is building a naval base in the Paracels and has extended its submarine activity in the area of the Paracels.

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Pratas Reef

Figure 4



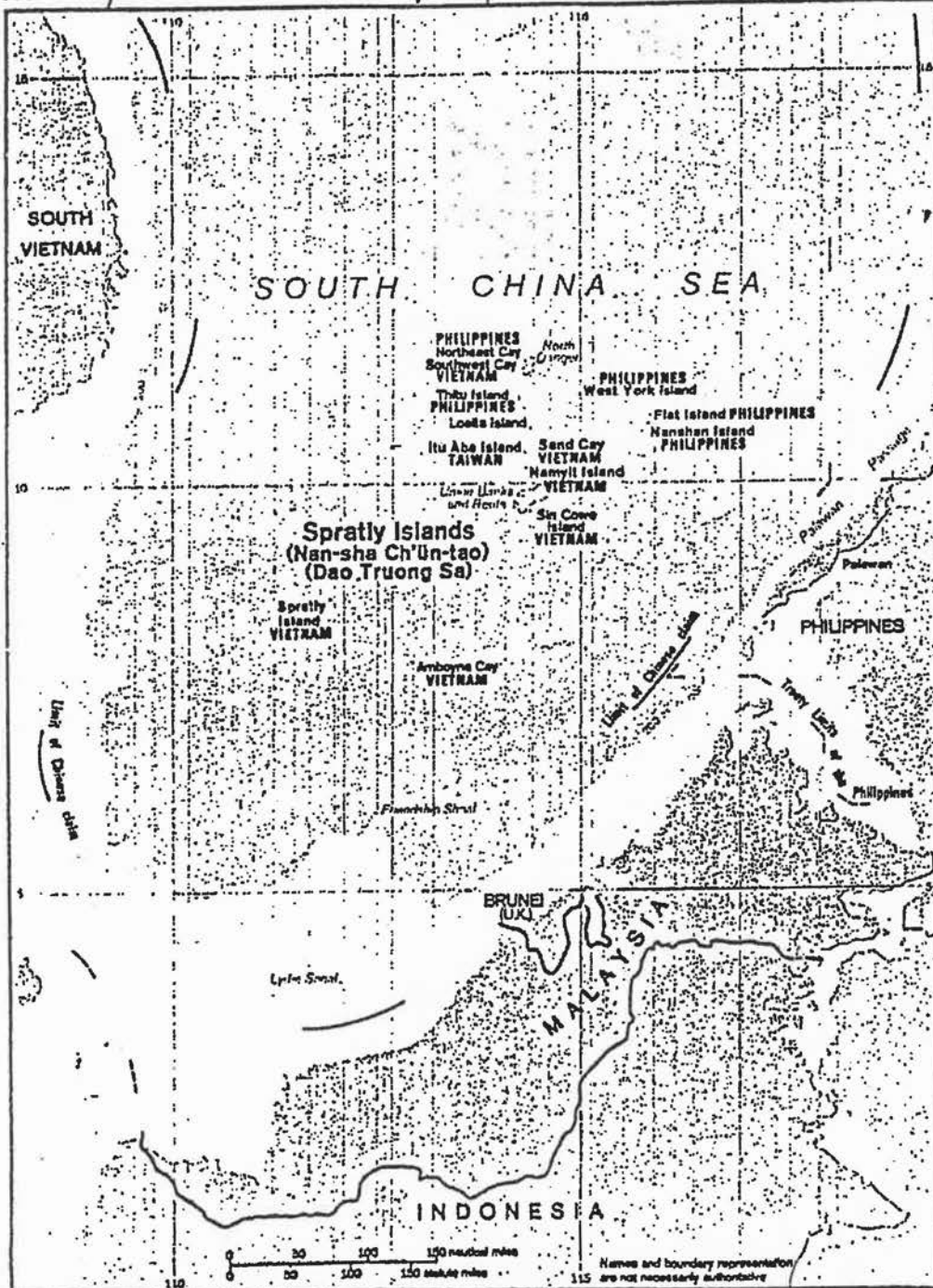
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Military Garrisons on the Spratly Islands

Figure 5



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PRC presence in the Spratlys could provoke Vietnamese air and naval response and adverse political reactions from the Vietnamese and Philippine governments. Further, any PRC encroachment in the area could alarm all the other Southeast Asian nations regarding Chinese intentions in the general area.

47. An operation to seize the ROC-garrisoned island of Itu Aba in the next few years would not provide any great military or political advantage vis-a-vis Taiwan except as a demonstration of willingness to use force to repossess claimed territories, and it would only complicate Chinese foreign policy initiatives in Southeast Asia. It might also bring the Chinese into confrontation with Vietnam, something Peking would prefer to avoid. So long as the ROC garrison remains, it helps to maintain a "Chinese" claim to the islands without risking incidents between PRC forces and the forces of the other claimants.

48. Nevertheless, if one of the claimants, most likely Vietnam, attempted or threatened to resolve the question of sovereignty of Itu Aba by force, the PRC might be provoked to intervene. Minor

shooting incidents involving ROC and Vietnamese have occurred recently.

The Philippines are no match for the PRC and probably would withdraw to avoid a confrontation. Only the Vietnamese might be willing to mount a stiff resistance, and in a confrontation the Vietnamese would have to cope both with major Chinese surface combatants and with Chinese military pressures on the Sino-Vietnamese border. Vietnam could provide military fighter aircraft to cover the Spratlys, while the Chinese would be limited to sorties by medium jet bombers and light jet reconnaissance aircraft.

49. A successful blockade or amphibious attack upon Itu Aba or other islands of the Spratly group would require a large-scale out-of-area operation by PRC forces. Should this option become acceptable, the required naval assets are available in the South Sea Fleet. Troops could come from the Kuang-chou Military Region. All the garrisons in the islands are small and, without outside air support, could defend only briefly against attack.

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VISIT OF JAPANESE  
PRIME MINISTER FUKUDA  
APRIL 30 - MAY 6

THE SECRETARY  
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VISIT OF PRIME MINISTER TAKEO FUKUDA

APRIL 30 - MAY 6, 1978

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MEMORANDUM TO: THE PRESIDENT

From: Cyrus Vance

Subject: Your Meeting with Takeo Fukuda,  
Prime Minister of Japan,  
May 3, 1978 - 10:30 AM

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I. OBJECTIVES

US Objectives

To demonstrate -- despite recent economic strains -- the strength of the US-Japan relationship.

To provide further impetus for implementation of the Strauss-Ushiba joint statement.

To coordinate policy in preparation for the Bonn Summit.

To encourage Japan's assumption of larger responsibilities on political and security issues of mutual concern.

Fukuda's Objectives

To demonstrate to his public that he can competently manage the US connection.

To encourage the US to continue playing a major security role in East Asia, and to take the measure of our future plans toward the USSR, China, and Korea.

To seek measures that could stabilize the yen-dollar exchange rate.

To buy time to deal with Japan's current accounts problem.

To coordinate policy in preparation for Bonn.

To have your analysis of major global political issues.

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II. SETTING

Fukuda is a firm friend of the United States, but is concerned about the state of our relationship.

Our relations with Japan remain generally solid. Our massive economic relationship continues to expand but along with it has grown the huge current account imbalance that has weakened the world payments system, stirred protectionist sentiment in the US and Europe, and encouraged grumbling in Congress that Japan should pay more for its own defense. The Strauss-Ushiba statement bought some time, but Japanese efforts to implement the agreement have not yet had any effect on the surplus, nor can they for some months to come. There is no evidence so far of needed structural changes in the Japanese economy and impatience is growing on Capitol Hill.

On political issues there is a striking concurrence of views between us. Our interests in Asia are parallel and compatible. Defense cooperation has been slowly expanding; this is likely to continue. But the Japanese remain uncertain about our staying power in Asia. They think that we value Europe more highly and apply less pressure to European governments than we do to Japan.

Prime Minister Fukuda originally chose the timing for this visit to give himself maximum political flexibility. His continued tenure as Prime Minister depends on winning the Liberal Democratic Party Presidency in December and his prospects are cloudy at present. The slack performance of the Japanese economy, dislocation and resentment caused by yen appreciation and an equivocal image in international affairs have encouraged the LDP to look beyond Fukuda for a leader.

But Fukuda is wily and resilient. A successful visit to the United States, stabilization of the yen, an economic upturn in Japan, an impressive performance in Bonn -- any or all of these could alter his chances markedly. He has the prerogative of dissolving

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the Diet and calling a lower house election at any time. A good showing for the party -- and the opposition is particularly disorganized this year -- would assure him another term. Naturally, Fukuda's treatment and performance in the US will be subject to the most intense scrutiny in Japan.

This is an opportune time to underline the importance we attach to relations with Japan. Moscow's recent rough treatment of Tokyo on fisheries and territorial issues, the brazen Chinese effort to assert their claim to the disputed Senkaku islands and a chorus of protectionist voices from Europe and, less loudly, the US have all contributed to a Japanese sense of isolation. A warm welcome here will have special impact in Japan as a result.

Finally, recent developments in US policy should reassure the Japanese that we are doing our part to solve mutual problems and add weight to our requests that they do theirs. Your inflation statement, the decision to sell gold, and progress toward an energy bill have strengthened the dollar against the yen. Your decision to slow withdrawal of ground troops from the ROK has strengthened in Japanese eyes the US image as a prudent ally devoted to the maintenance of stability in East Asia.

### III. GLOBAL ECONOMIC ISSUES

#### 1. Growth and Current Account

US Objectives: To encourage Fukuda to take additional measures to stimulate domestic growth and reduce the current account surplus, if current measures fall short, as expected.

Japan's Objectives: To explain that Japan has already taken strong stimulatory measures and will take additional steps, but that yen appreciation has undercut its efforts.

Essential Factors: In the Strauss-Ushiba statement, Japan confirmed a growth objective of 7 percent for its fiscal year 1978 (which began April 1) and a substantial reduction of its current account surplus,

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which reached \$14 billion in JFY 1977. We expressed our intent to achieve non-inflationary growth and to reduce our dependence on imported oil.

Despite the measures taken by the Japanese Government, virtually no Japanese economist expects Japan to achieve its macroeconomic objectives. Japan has adopted expansionary fiscal policies which will raise public expenditures to their largest share of GNP in 15 years. In addition, the discount rate has been cut to 3.5 percent, its lowest rate in over twenty years. But the private sector accounts for around 75 percent of Japanese GNP and its reaction to economic policies will determine both the growth rate and the current account balance.

Fukuda is preparing a supplementary budget for Diet consideration this fall, but it may be too little and too late to alter substantially the growth rate for this fiscal year.

Japan's current account surplus continued at high levels for the first three months of 1978. Japan's imports are down partly because of slack domestic demand and partly because importers have delayed orders to buy more cheaply if the yen appreciates further. Exports were up due to the increased value of the yen and perhaps also due to rush orders designed to beat a freight rate hike, rumored Japanese Government export restraints, and a possible West Coast dock strike. Japan has announced measures to reduce the surplus, such as:

-- emergency imports of raw materials and capital equipment, financed with dollar loans from the Japanese Government's Foreign Exchange Fund;

-- a proposal to prepay \$1 billion of already contracted US uranium enrichment services;

-- jawboning Japanese firms to limit voluntarily the volume of exports to 1977 levels.

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Points to be Made:

-- We are taking steps to deal with problem areas pointed out by Japan and others. Ambassador Strauss is leading the fight against inflation, prospects for an energy bill are better and Commerce Secretary Kreps heads a task force to develop a national export strategy. Gold sales have also been announced.

-- The GOJ has made a sincere effort to deal with economic difficulties. We especially appreciate Fukuda's determination to achieve a 7 percent growth rate.

-- Our mutual interests depend on the success of Japan's efforts to reduce its current account surplus. The surplus, together with sluggish world growth and high levels of unemployment in the US and Europe, threatens the stability of the world trading system.

-- We understand the Japanese Government is considering further measures to stimulate growth and reduce the current account surplus. It would be useful to have an exposition of these plans at the Bonn Summit.

-- Much more progress is needed in Japan's efforts to open its domestic markets wider to imports, as pledged in the Strauss-Ushiba statement. Evidence that steps are being taken to move quickly is politically essential. Especially important are substantial MTN offers and indications that the joint US-Japan Trade Facilitation Committee (established when Commerce Secretary Kreps visited Tokyo) has enhanced US firms' access to Japanese markets.

-- (if asked) The US considers export restraints may have some utility in dealing with particular sectoral problems, but they do not address the longer term structural problems or open the Japanese market.

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## 2. Exchange Rate Policy

US Objective: To stress that the US will promote currency stability by efforts to create the basic economic and financial conditions necessary for a strong dollar, but will not directly support the dollar in foreign exchange markets.

Japan's Objective: To obtain a US commitment -- however vague -- to strengthen and give direct financial support to the dollar.

Essential Factors: The 22 percent appreciation of the yen since October has created consternation in Tokyo. Fukuda is under intense political pressure to halt appreciation, which has increased the rate of bankruptcies among small and medium-sized firms in the export sector. The March 13 US-German agreement on swap measures to deal with disorderly conditions in the exchange markets has encouraged Japanese further in the belief that we are "tougher" on Japan than Germany.

### Points to be Made:

-- The US shares Japan's desire for calm in international currency markets; we do not seek the appreciation of the yen.

-- To achieve currency stability, we must assume mutual responsibility for dealing with the fundamental sources of instability, e.g., energy and inflation for the US; growth and current account management for Japan.

## 3. Multilateral Trade Negotiations

US Objectives: To convince Fukuda that Japan must (a) improve its MTN tariff and non-tariff offers on competitive US products and (b) meet the July 15 target date for the MTN, in order to kick off the Bonn Summit on a positive note.

Japan's Objectives: To persuade the US that after some improvements, Japan's current MTN offer will be satisfactory, and to insist that duty-free trade be included in measuring reciprocity.

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Essential Factors: Japan's willingness to reduce trade barriers in the MTN will be the acid test of Fukuda's commitment to put our trade on an equitable basis. It is a primary US objective in the MTN. Japan's initial offer was inadequate (a 20 percent cut in tariffs applied to US exports in contrast to our offer of a 50 percent tariff cut on imports from Japan). Reacting to sharp US and EC criticism, Japan will improve its offer, but has not specified by how much.

To be acceptable, Japan's MTN concessions must meet the four MTN objectives of the Strauss-Ushiba Joint Statement:

- basic equity in our trading relationship;
- substantially equivalent competitive opportunities;
- parity in openness of markets, and
- comparable average levels of bound tariffs.

Japan wants to include raw materials (80 percent of its total imports) in the tariff measurement formula because this cuts the resulting tariff average by half. But it is not an indication of liberality to collect no duties on products that cannot be produced in quantity by the importing nation.

Points to be Made:

-- Express disappointment at Japan's MTN offer on tariff and other barriers (such as government procurement) particularly in light of understanding in the Strauss-Ushiba agreement.

-- Emphasize need for substantial improvement.

-- We will look at protection on competitive imports in evaluating the Japanese offers.

-- We must make the MTN a success by July 15 to launch the Bonn Summit on a positive note.

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4. Japanese Foreign Aid

US Objective: To have Japan "untie" and expand significantly its aid, particularly to the poorer developing countries.

Japan's Objective: To appear cooperative on development assistance matters, while avoiding specific commitments.

Essential Factors: Japan has announced its intention (1) to more than double the volume of its foreign aid to LDC's over a five year period and (2) to permit recipients to use new aid funds to procure goods and services from countries other than Japan. However, Japan has not yet revealed the types of aid involved, the credit terms, or even the exact time span covered.

Japanese aid has traditionally been on relatively hard terms and has often been linked to raw materials development and to Japanese export promotion. If Japan were to direct more of its aid through the World Bank and other development banks, more procurement would automatically be made from other industrial countries, which would reduce Japan's current account surplus.

Points to be Made:

-- We welcome Japan's intention to more than double its aid over the next five years and to untie most financial assistance. Untying will help significantly to reduce Japan's current account surplus. What specific steps does the Japanese Government have in mind (a) to untie aid? and (b) to channel aid through international development institutions?

IV. KEY ASIAN ISSUES

1. The US/Japan Security Relationship

US Objectives: To reassure Japan of US intent to remain heavily committed in Asia and to indicate that we know what we are doing in the region; To ask additional Japanese help in sharing the costs of basing US Forces in Japan.

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Japan's Objectives: To obtain US reassurance of undiminished interest in Asian security; To note greater Japanese public support for Japan's security relationship with the US; To express willingness to increase its share of the cost of US bases in Japan, but gradually and at its own initiative.

Essential Factors: US-Japan security relations are sound and less controversial in Japan than at any time in recent history. However at a time when Soviet conventional military capabilities in East Asia are growing and North Korean intentions remain militant, the Japanese measure every US action in terms of what it might mean for our future regional intentions.

We support the Japanese policy of eschewing significant rearmament and any overseas military role. However, we should continue quietly to urge the Japanese to improve their modest Self-Defense Forces, particularly their air defense, ASW and logistics. The GOJ has recently made substantial progress by initiating procurement of the F-15 fighter and P-3C ASW aircraft.

The Japanese pay about \$535 million per year in support of our military presence in Japan. Our expenses annually amount to roughly \$1 billion and have increased by over 20 percent in the last several months simply because of yen appreciation. Last year the Japanese agreed to assume \$26 million of our annual indirect labor costs. More help is needed. The Japanese have shown signs of being receptive but are constrained by domestic politics and by the terms of the US-Japan Status of Forces Agreement. They are likely to be more forthcoming if given the chance to move on their own initiative rather than submitting to US pressure. This subject should be handled gently.

Points to be Made:

-- Our basic strategic objective in Asia and the Pacific is to preserve the present, favorable strategic situation.

-- The US has not reduced its commitment to Korea, to other obligations in Asia or to maintaining our basic security posture in Asia. Recent

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emphasis on Europe reflects our need to redress deficiencies in NATO defense which emerged during our long and excessive preoccupation with Indochina. The Soviet power position in Europe improved and it must be offset. What we are doing in Europe will not, however, come at the expense of our Asian defenses.

-- We plan qualitatively to improve our Pacific forces during the next five years, for example, through introducing F-14's, F-15's, F-16's, AWACS, and the Trident; and will increase naval power.

-- Note improvements in the Self-Defense Forces, e.g., procurement of F-15's and P3C's.

-- Express interest in further increasing defense cooperation.

-- Express satisfaction at Japan's agreement, last December, to assume some US Forces' indirect labor costs, but note also that yen appreciation has radically intensified the strain on the US defense budget. Japanese help in finding additional ways to share costs will be politically helpful on the Hill; it would also be in keeping with the need to assure that the financial and political burdens of the alliance are equitably shared.

## 2. Security of the Korean Peninsula

US Objectives: To explain recent adjustments in our withdrawal timetable, confirm our intent to provide compensation, and quell GOJ fears that the US has secret moves afoot with North Korea.

Japan's Objectives: To obtain reassurance regarding our commitment to Korea's security, caution in managing troop withdrawals, and full consultations about any initiatives toward the North.

Essential Factors: Initial fears of US troop withdrawals were assuaged as the details on withdrawal were spelled out in consultations, particularly by Harold Brown. The Japanese accept our

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our argument that the withdrawal will not affect the military balance provided that it is gradual, phased, and compensated for by equipment transfers and military aid to the ROK. They welcomed your decision to modify the withdrawal schedule, and they hope Congress will act quickly on the compensation package.

Stimulated primarily by a concern that Japan not lag behind any shifts in US policy, Japan keenly watches North/South Korea diplomatic initiatives such as that recently put forward by Tito. This Japanese concern is so intense that they constantly over-react to our statements and actions. We have informed the Japanese of Tito's proposal, and they understand that we will not talk directly to the North without full participation by the South.

Points to be Made:

-- The US will take no action, diplomatic or military, that would have a destabilizing effect in Northeast Asia.

-- Withdrawal of US forces and compensatory transfer of equipment to the ROK are two parts of a single policy. This caused us to modify the withdrawal schedule originally contemplated this year. We still hope that the Congress will act this year on all our requests.

-- Political talks with the North must include full participation by representatives of the South Korean Government. On other points we are prepared to be flexible. Whether the PRC participates is not a key point. We will consult fully with the GOJ in advance of any US action.

3. Relations with the PRC

US Objectives: To bring Fukuda up to date on US thinking about normalization of relations with Peking; To hear Fukuda's views on the current state of Japan-PRC relations; To express approval for a Japan-PRC Peace Treaty without becoming embroiled in Japanese domestic politics.

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Japan's Objective: To learn how US-PRC relations are likely to develop over the next six months to a year.

Essential Factors: The Japanese are comfortable with the status quo in US-China relations, since they enjoy the benefits of full diplomatic relations with Peking, including more than \$3.5 billion in trade, and at the same time our guarantee of Taiwan's security provides an umbrella under which Japanese can pursue their considerable Taiwan-related economic and cultural interests.

Fukuda knows that we plan ultimately to normalize with Peking and understands why. Domestic politics demand that the Japanese Government keep careful track of US policy toward the PRC, avoid the shocks of the past, and stay a step ahead of the US in its own policy toward the PRC. At the same time our strategic and commercial interests require that we keep abreast of Japanese policy toward Peking. The signing in February of an eight-year, \$20 billion trade agreement between the Chinese and the Japanese (Chinese coal and oil for Japanese industrial plants and machinery) underscores Chinese determination in the post-Mao era to concentrate its energy on economic development and assigns Japan a key role in that process.

Earlier this year the GOJ made determined motions in the direction of concluding a Peace and Friendship Treaty with Peking at the temporary expense of relations with Moscow. This movement has slowed more recently with the surfacing of strong opposition to the treaty within Fukuda's own faction, and may be brought to a complete halt by the recent incident involving Chinese fishing near the disputed Senkaku Islands.

Points to be Made:

-- US policy continues to be guided by the Shanghai Communique. We intend to move toward full normalization of relations with the PRC in a manner that does not undercut the well-being of the people of Taiwan.

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-- We frankly cannot say when and how we will normalize but we plan to move further to expand our relationships during the next several months.

-- Dr. Brzezinski's trip will be for periodic consultation on a broad range of strategic topics. He will not be in Peking to negotiate normalization, but will be prepared to reaffirm convincingly our commitment to the Shanghai Communique.

-- The Chinese desire normalization, but have reaffirmed that they value the strategic aspects of US-PRC relations even in the absence of normalization. In addition, the Chinese have recently indicated that, although there will be some limits in our bilateral relationships until full relations have been established, they foresee increased trade and exchanges in the immediate future.

-- (if raised) The US has no problems with Japan's concluding a Peace and Friendship Treaty with Peking. We know that it is a very delicate problem for Japan and consider it a matter for Peking and Tokyo to decide.

-- (if asked) The US would have no objection to inclusion of an anti-hegemony clause in the projected treaty, since an analogous clause is in our own Shanghai Communique.

#### 4. Relations with Southeast Asia

US Objective: To encourage the GOJ to play a larger, political role in Southeast Asia.

Japan's Objectives: To urge that the US maintain a significant presence in Southeast Asia; To ascertain the latest developments in the Philippine base negotiations and US relations with ASEAN; To gauge the likelihood of early US normalization with Vietnam.

Essential Factors: Japan, whose economy in recent years has been the engine of Southeast Asian growth, last year raised its political profile in the region. Prime Minister Fukuda's visit to an ASEAN summit, and to each ASEAN capital, signalled Japan's commitment to the independence and prosperity of these five non-Communist states. Although the GOJ's follow-through has been less rapid and

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comprehensive than many expected, investment and aid flows to the region are expanding. Meanwhile, Japan gives Vietnam and Laos carefully calibrated doses of aid in hope of moderating their reliance on the USSR.

Japanese policies in Southeast Asia are based on the assumption that the US will continue a major role in the region but that, post-Vietnam, Japan's own efforts may provide important re-insurance of vital markets, sources of raw and semi-processed materials, and the oil lifeline to the Persian Gulf.

Points to be Made:

-- Vice President Mondale's visit to the region (and to Australia and New Zealand), which began April 29, is intended to underscore the continuity of our interest in Southeast Asia and our intent to preserve an active role there.

-- We have made good progress toward revising the bases agreement with the Philippines to assure our smooth operations there for some time to come. Earlier today in Manila Vice President Mondale met with President Marcos to review what more needs to be done to reach agreement.

-- Note Japan's heightened efforts, to underwrite the stability and solidarity of the ASEAN states, and indicate that the US will also expand its links with ASEAN and expects to host an ASEAN ministerial meeting in Washington sometime this summer.

-- US normalization with Vietnam will proceed at a pace determined by Vietnamese readiness to normalize without demanding aid as a precondition.

5. Aid to Indochinese Refugees

US Objectives: To secure Fukuda's commitment to a further increase in GOJ support of UN aid to Indochinese refugees, and to urge that Japan accept some refugees for permanent residence.

Japan's Objective: To disarm US critics by agreeing to both US requests.

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Essential Factors: Japan reluctantly allows the temporary landing of boat case refugees, but up until April 28 refused their permanent resettlement. The GOJ has now agreed to take a limited number of refugees as permanent residents under carefully controlled circumstances. The action is in response to American pressure, both in Congress and in the Executive Branch. At Fukuda's initiative, the Japanese are also planning to increase substantially their contribution to the UN High Commission on Refugees, the exact amount to be announced to you by the Prime Minister.

Points to be Made:

-- Both the decision to accept refugees for permanent residence and the increased contribution to the UN refugee relief effort will strengthen Japan's image with Congress and the public and will set a fine example for other nations to follow.

V. OTHER ISSUES

If time permits, Prime Minister Fukuda may wish to discuss the Middle East, relations with the Soviet Union, and Africa. I hope to have dealt with these topics in some detail at my lunch with the Prime Minister and meeting with the Foreign Minister on May 2. The Prime Minister also plans to stress science and technology cooperation in his New York speech May 4. He wants to be able to say that he has discussed the subject with you.

I have included briefing papers on these subjects, should they arise.

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BILATERAL TRADE ISSUES

1. US Exports - Problem Sectors

US Objectives: To secure rapid implementation of Japan's commitments in the Strauss-Ushiba joint statement on beef, citrus products and forest products.

Japan's Objectives: To persuade US officials that progress under the Strauss-Ushiba agreement has been satisfactory, that more cannot be done until the Diet recesses at the end of May, and to avert US actions that harm long-run Japanese interests in the US market.

Essential Factors: In the Strauss-Ushiba joint statement Japan undertook to triple imports of oranges (to 45,000 MT), to find a way to import more finished lumber rather than logs, and to increase the import of high quality beef by 10,000 MT. Progress has been slow, particularly in beef.

Although the commitments cover only a small amount of trade, they are visible, concrete, and politically important in both countries. Japanese delay or evasiveness in carrying out the commitments could lead to ill will and to increased pressure for restrictive actions against Japanese goods entering the US market.

Points to be Made:

-- Prompt implementation of measures to facilitate the import of high quality beef, in accordance with the Strauss-Ushiba agreement, would help to show Japan's determination to increase imports and would relieve protectionist pressures here, as would progress in the citrus and forest products sectors.

2. US Imports -- Problem Sectors

US Objective: To respond reasonably but firmly to complaints about US restrictions on certain imports from Japan.

Japan's Objective: To put on the record dismay at recent US actions restricting Japanese exports to the US.

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Essential Factors: Affected Japanese manufacturing interests, especially the television industry, want Fukuda to remonstrate over recent US anti-dumping decisions. Fukuda does not plan to raise such technical issues, but members of his party may ask about:

-- the Treasury Department's assessment of \$46 million in anti-dumping duties on Japanese color TV sets that entered the US in 1972-73. This suggests that the duties that will be assessed for subsequent years may total several hundred millions of dollars. The Japanese believe that the 1972-73 assessment is too high and was unfairly determined.

-- the temporary increase in the US tariff on citizens' band radios, following the International Trade Commission's determination that CB radio imports are injuring the US industry. Japan plans to insist that, in accordance with GATT rules, we compensate by lowering other tariffs.

Points to be Made:

-- (if raised) The Treasury Department is prepared to discuss its methodology with the GOJ or the exporters, and to supply information to US importers.

-- (if raised) We are prepared to consult with the GOJ on CB radios. The US intends to exercise maximum restraint in dealing with such complaints. For example, the International Trade Commission's recommendation that tariffs be raised on industrial fasteners was overruled.

3. Export of West Coast Oil

US Objective: To acknowledge, if asked, that the Executive Branch is again studying the question of exporting West Coast oil.

Japan's Objective: To remind the US of Japanese interest in purchasing American oil, or swapping third-country oil for it, should such an arrangement become politically feasible.

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Essential Factors: Japan, in pursuit of diversified sources of oil supply after the 1973 oil embargo, sought in 1976 to purchase or swap for Alaskan oil. We made it very clear then there was no possibility of modifying legal prohibitions on export of Alaskan crude. There is now a temporary surplus of heavy California crude, "backed out" by Alaska production, and rising political pressure from California to find that oil a market.

Points to be Made:

-- (if asked) We are considering several possible ways of dealing with the present, temporary surplus of oil on the West Coast. Export of that oil -- for example to Japan -- is one option. Exporting the refined products, especially residual fuel oil, is another possibility.

-- In any case, the US is determined that the West Coast surplus not constrain US oil production.

4. Trigger Price Mechanism for Steel

US Objective: To ensure Japan continues to give trigger price data.

Japan's Objective: To confirm that the trigger price mechanism is working satisfactorily.

Essential Factors: The US steel industry's situation is improving and protectionist pressures in this sector have eased partly because of the trigger price mechanism. Demand and production are rising, imports are falling from their record levels, and price discounting has largely ended. Japanese sales to the US are expected to be lower than last year, and prices are higher, in some cases above the trigger prices. We expect the Japanese to continue providing the cost data needed to establish current trigger prices.

Points to be Made:

-- The trigger price system is beginning to meet the expectations of our industry.

-- We appreciate Japan's cooperation in providing us with the needed data to keep the trigger prices current.

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US-JAPAN CIVIL AVIATION ISSUES

U.S. Objective: To attain a more competitive environment in which scheduled and charter flights may expand and offer low-priced services on a variety of routings.

Japan's Objective: To obtain additional air-line routes in order to rectify the "inequitable" 1952 bilateral Air Transport Agreement.

Essential Factors: In the last round of negotiations in March, Japan sought new routes in a three-year interim agreement. We agreed to consider additional routes provided Japan accepts liberal charter rules and low air fares and guarantees increased landing slots for US airlines at congested Japanese airports. The Japanese offers in these three areas fell considerably short of our objectives.

Japan has serious airport problems as a result of delays in opening the new Narita Airport in Tokyo and an apparent inability to program increases in landing slots at either Tokyo or Osaka airports. These airport constraints coincide with Japan's policy of protecting JAL against expansion by US airlines.

An agreement which meets US objectives is impossible as long as the dual problems of Japanese airport constraints and protectionist aviation policies remain. We need to emphasize that a competitive regime is essential to reach agreement, and relate this aviation issue to our overall economic relations in which we seek two-way competitive opportunities.

Negotiations will resume this fall.

Points to be Made:

-- Issue must be viewed in larger context of US-Japan economic relations where we seek mutual competitive opportunities.

-- US can give Japan additional route rights which will satisfy its perception of inequity.

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-- This can be done only in context of expanding opportunities for low fares, liberal charters, and increased flights for existing and new airlines.

-- We need adequate guarantees, not vague promises, in the next round of talks this fall.

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COOPERATION IN SCIENCE AND TECHNOLOGY

Joint Objective: To draw attention to the scale and importance of US-Japan scientific and technological cooperation.

Essential Factors: US bilateral exchanges with Japan are thriving in every important field of scientific inquiry. Both nations realize great benefits from this vigorous cooperation. We are now rapidly expanding bilateral energy research and development, and expect soon to conclude with Japan agreements on cooperation in three exotic areas: nuclear fusion, solar energy and geothermal energy.

Prime Minister Fukuda plans to stress science and technology cooperation in his speech to the Japan Society in New York on Thursday, May 4. He wants to be able to say he has discussed the subject with you.

Point to be Made:

-- (when raised by Fukuda) We value cooperation with Japan in science and technology and look forward to early conclusion of agreements on research, nuclear fusion, solar and geothermal energy.

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1. Follow-On To Tokai Mura Agreement

US Objective: To stress that the nature of a follow-on to the US-Japan Agreement on Reprocessing of Special Nuclear Material (the "Tokai Mura Agreement") depends on developments in the International Fuel Cycle Evaluation.

DOE has cleared for release pp. 30-34

Japan's Objective: To probe for change in US attitudes toward Japanese reprocessing of spent nuclear fuel.

Essential Factors: With increasing frequency, Japanese have asked appropriate American officials how the US will proceed upon the expiration in September 1979 of the two-year bilateral agreement on the operation of Japan's experimental Tokai Mura reprocessing plant.

Points to be Made (if subject is raised)

-- Before expiration of the Tokai Mura agreement late next year, the US will be prepared to discuss a follow-on program. The nature of that program, the US expects, will be influenced by developments in the International Nuclear Fuel Cycle Evaluation (INFCE) now under way.

2. MB-10 Requests

US Objectives: (If raised) To reaffirm that the US will approve the transfer of spent fuel for reprocessing only in cases of clear need, such as inadequate spent fuel storage capacity, but to assure the GOJ that the US will carefully consider, on a case-by-case basis, spent fuel transfer (MB-10) requests from Japanese utilities.

Japan's Objective: To obtain a US commitment to approve the transfer of Japanese spent nuclear fuel to France and the UK in accordance with long-term reprocessing contracts.

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Essential Factors: Japanese planning for nuclear waste disposal was based in the past on reprocessing of spent fuel and use of plutonium from recycle in light water reactors. In the Tokai Agreement last year, however, Japan agreed to defer during INFCE both decision on the commercial use of plutonium in light water reactors and on the development of its own commercial-scale reprocessing facility. The US has made it clear to Japan the UK and France that the US will consider requests from Japanese utilities for transfer of US-origin spent fuel for reprocessing in France (COGEMA) and the UK (BNFL) on a case-by-case basis, and will approve such requests in cases of demonstrated need (such as inadequate spent fuel storage capacity). The US has also stressed that we will not give assurance of continuing US transfer approvals in support of long-term reprocessing commitments.

A number of spent fuel retransfer requests from Japan and elsewhere have been approved in accordance with the above policy during the past several months. Recently, however, the Japan's Kansai Electric Power Company requested US approval to retransfer 29 tons of spent fuel to France under a reprocessing contract entered into in June 1975 and covering a total of 750 tons of spent fuel during the period of 1977-1983. Kansai Power appears to have adequate spent fuel storage capacity; its main arguments are that it entered into this contract well before the new US policy on reprocessing was established, and that failure of the US to approve such transfers would result in large penalty claims against the utility.

US representatives have told Kansai Power that approval of a reprocessing request on the basis of contractual penalties rather than spent fuel storage problems would be a departure from present US policy.

Points to be Made (if subject is raised)

-- The US will approve reprocessing of US-origin fuel only when there is a demonstrated need, such as inadequate storage capacity. The US recognizes Japan's problems in finding suitable sites for spent fuel storage, but it hopes that Japan will make every effort to increase the capacity of present storage facilities;

-- Concerned Executive Branch agencies are reviewing Kansai Power's recent request for the early transfer of spent fuel to France under a reprocessing contract entered into in 1975. We understand that in this case there is adequate storage capacity at the reactor site, but that Kansai Power would have to pay a large penalty claim if it fails to honor the reprocessing contract;

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-- We recognize that this contract was entered into in good faith before the new US policy on reprocessing was announced. Nevertheless, the US is most reluctant to approve a reprocessing request simply because the party in question would otherwise be subject to a commercial penalty;

-- Japan can be assured, however, that we will give this request careful consideration;

-- The US understands that some Japanese utilities are considering entering into new reprocessing contracts with the UK. The US cannot make any commitment that we would approve requests for reprocessing US-origin spent fuel at these facilities pursuant to such contracts.

3. Supply of Highly Enriched Uranium for Kyoto University Reactor

US Objectives: To promise sympathetic consideration of the Japanese request for supply of highly enriched uranium (HEU) for the Kyoto University High Flux Reactor (KUHFR).

Japan's Objectives: Since April 1977, supply of HEU to fuel foreign reactors which had not previously obtained such material from the US is made only if the project is found to be of "exceptional merit." In early 1978, the Japanese requested an export license for some 39 kilograms of U-235 in HEU as fuel for the KUHFR, a new reactor project.

The new reactor is highly important to Japan's university nuclear research program. It will be used, among other things, for medical isotope production, therapeutic cancer irradiation, and biomedical experiments, as well as general research and nuclear engineering studies.

The Japanese claim that the KUHFR cannot be operated with fuel of lower than 93% enrichment. The US is making an independent assessment. If this assessment indicates that the KUHFR requires HEU fuel, the agencies concerned will probably recommend that you make a finding of "exceptional merit" and approve US supply of HEU, provided that Japan agrees to use the lowest enrichment technically feasible and commercially available at the time fuel fabrication must commence.

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Points to be Made (if subject is raised)

-- The US is making strenuous efforts to minimize further distribution of HEU because of the high proliferation risk for such material. However, we recognize that there may be no current alternative to its use for fueling certain research and test reactors. The US has begun a substantial research program which we hope will permit eventual reduction in the degree of uranium enrichment required.

-- The Kyoto University request for HEU fuel is now under technical review.

-- Provided the university is able to provide assurances regarding its willingness to use fuel of lower enrichment if it becomes technically and commercially feasible, outlook for approval of the request is good.

4. Nuclear Fusion Research

Joint Objective: To highlight benefits that Japan derives from close alignment of its nuclear policies with the United States.

Essential Factors: Last summer the GOJ acquiesced to US demands that it scale down its program of research into nuclear reprocessing (the "Tokai Mura dispute") pending the results of the International Nuclear Fuel Cycle Evaluation. This GOJ decision was highly controversial in Japan, and Fukuda therefore assigns high priority to actions which demonstrate the advantages of close nuclear cooperation with the United States.

Fukuda wants to be able to tell the press that you and he have agreed on the need for cooperative research in nuclear fusion and look forward to the early conclusion of a bilateral agreement on such cooperation. Japanese research in this field is on a plane with ours. Negotiation of a US-Japan fusion research and development agreement is already well-advanced.

Points to be Made:

-- (when raised by Fukuda) Our governments should expedite negotiations on cooperation in nuclear fusion research and development.

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5. Renegotiation of Agreement for Peaceful Nuclear Cooperation

US Objective: To renegotiate soon the US-Japan Agreement for Peaceful Nuclear Cooperation, as required by the Non-Proliferation Act of 1978.

Japan's Objective: To be assured that any renegotiated Agreement with the US will take into account Japan's lack of alternative energy resources and spent fuel storage problems.

Essential Factors: The current US-Japan Agreement meets the licensing criteria required of the Nuclear Regulatory Commission by the new legislation, thus obviating the threat of an embargo as with EURATOM. The new law requires, however, that the State Department renegotiate all existing agreements for cooperation to obtain the additional criteria required in new agreements.

Japan wants to continue close nuclear energy cooperation with the US and is prepared to enter formal negotiations shortly. However the GOJ is likely to insist that any new agreement accommodate its nuclear development plans, including breeder research and development, and that any benefits that might be given by the US through renegotiation to EURATOM (e.g., on reprocessing of US-origin fuel) also be accorded Japan.

Points to be Made:

-- The US looks forward to early renegotiation of the US-Japan Agreement for Cooperation.

-- The US believes that an Agreement can be reached that is consistent both with US non-proliferation policy and with Japan's nuclear energy needs.

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BONN SUMMIT ISSUES

US Objectives: To indicate US hope that Japan will be able to demonstrate by mid-July: (a) tangible progress toward meeting its 7 percent growth target and toward reducing its current account surplus; (b) resolve to make a substantial contribution to a successful MTN, and to increase aid to balance of payments financing for LDCs.

Japan's Objectives: To urge US enactment of an effective energy program prior to the summit, as well as additional measures to stabilize the value of the US dollar; to deflect criticism that Japan's failure to take adequate steps undermines a concerted economic approach to the problems of the industrial nations.

Essential Factors: The overall theme of the July 16-17 Advanced Nations' Summit in Bonn is that appropriate actions by the various Summit countries when taken together will be reinforcing and thus more effective than actions taken individually. The seven participant nations have agreed that Summit preparations must include mutually supportive policy actions if the Summit is to be action-oriented rather than a merely rhetorical event. The US is to contribute by adopting stronger anti-inflation measures and by moving on the energy front. Germany and Japan are to do more to stimulate growth (Germany has indicated a willingness to take additional stimulus measures if needed to fulfill its growth target but insists on avoiding any public discussion on such measures until and unless the need arises). France and the UK are expected to hold the line against protectionist pressures and to support the significant EC concessions necessary for a successful MTN.

There continues to be a strong feeling within certain EC countries that the US was able to extract far more in the way of bilateral economic concessions as a result of the Strauss-Ushiba agreement in January than the EC was able to obtain in a similar agreement in March. We have stressed to the EC that Japanese actions to stimulate growth and to reduce its current account surplus would benefit all countries, not just the US.

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Points to be Made:

-- The world economy badly needs a shot of confidence. The Summit results must be perceived as effective actions rather than as rhetoric.

-- The US is doing its part to tackle the fundamental causes of dollar depreciation (energy imports, lagging exports and inflation).

-- Actions by Japan on growth, to reduce its current account surplus and to make the MTN a success are essential to a successful Summit and to containing strong protectionist pressures in North America and in Europe.

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INTERNATIONAL STEEL AGREEMENT

US Objective: To obtain Japanese support for our International Steel Agreement initiative.

Japan's Objective: To prevent cartelization of the international steel trade which would limit their access to markets.

Essential Factors: We dislike market-sharing arrangements such as the bilateral agreements on price and quantity that the European Community is negotiating with its suppliers. The Japanese reluctantly reached agreement with the EC in early April, but they share our concern and will resist any further movement toward the cartelization pushed by the EC.

This concern, and the need to win steel industry and union support for the Multilateral Trade Negotiation (MTN) package, prompted us to propose to our major steel trading partners the negotiation of an international steel agreement. The agreement would elaborate rules for special antidumping measures and for safeguard measures in the steel sector but would avoid market sharing. It would specify the conditions under which governments could take actions like the TPM as well as the EC basic price system and bilateral agreements entered into as a safeguard measure. The conflicting interests involved make such an agreement hard to negotiate.

Points to be Made:

-- We hope Japan will help develop a better international approach to the exceptional problems of the steel industry.

-- We, like Japan, are keenly aware of the dangers of cartelization and market-sharing. We hope to keep our proposed arrangement focused on rules for special antidumping and safeguard measures, which would be taken only in the steel sector and then only in exceptional circumstances.

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UNITED NATIONS-RELATED ISSUES

1. Japanese Participation in Namibia Peacekeeping Force

US Objective: To encourage discreetly possible Japanese contribution to civilian personnel and equipment to UN peacekeeping activities.

Japanese Objective: To improve Japan's international image.

Essential Factors: Postwar Japanese political inhibitions on overseas dispatch of military units have caused the GOJ to contribute only money to past UN peacekeeping efforts. These inhibitions have slightly eroded, to the point that a proposal to contribute civilian personnel and non-military equipment such as trucks or helicopters to the proposed Namibia Transitional Force is under consideration within the Japanese Government.

Japanese participation in such activity would be a healthy outlet for growing aspirations to play a global role, and fitting in view of Japan's status as the third-largest contributor to the UN budget.

Point to be Made:

-- Chances for a peaceful transition to majority rule in Namibia have improved greatly in recent weeks. The US hopes Japan will be able to participate appropriately in the proposed Namibia Transitional Force, should it be established.

2. Conventional Arms Transfer Restraint and the Comprehensive Test Ban (CTB)

Japan favors international cooperation to restrain the transfer of conventional armaments. The Japanese are among our few allies on this complex issue. (The GOJ follows a strict policy of refusing to export weapons to areas of tension. In fact, Japan's weapons exports on the whole are almost negligible.) In late 1976, Japan introduced a resolution at the General Assembly favoring a study of conventional arms restraint. The resolution was defeated due mainly to Third World opposition and lack of adequate groundwork by the GOJ. We want to encourage continued Japanese cooperation in our efforts in the UN this year to move the Third World toward accepting restraint.

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The Japanese are also genuinely interested in progress on a comprehensive test ban (CTB). The GOJ has previously expressed interest in raising the matter in the UN Special Session on Disarmament. The US has discouraged this, stressing that our primary interest should be in expediting bilateral US-USSR discussions.

The GOJ can obtain considerable domestic political mileage from these two issues and may wish to make some public statement to the effect that Prime Minister Fukuda discussed them with the President.

3. US Contribution to the UN University

US Objective: To assure Fukuda that you remain personally committed to obtaining US funding for the United Nations University.

Japan's Objective: To obtain assurance of US funding.

Essential Factors: The UNU, chartered by the General Assembly in 1975, is Japan's premier international initiative. Japan contributed \$100 million to the university's endowment fund, anticipating that other advanced nations would follow suit. The response, however, has been niggardly. US failure to contribute, especially, is a source of great domestic embarrassment to the Japanese Government.

Funding requests have died in Congress three years' running, last year largely in consequence of opposition by Senator Inouye (who said he wanted Japan to understand it should do more to help Indochina refugees and to solve global trade and financial problems) and Senator DeConcini. Legislative consideration of this year's request, for \$7.5 million, is still in the early stages; one major hurdle, the HIRC, has been cleared (15-6, Mr. Ryan of California strongly dissenting.)

Points to be Made:

-- You are determined to secure a US contribution to the UN University. It is a worthy cause.

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4. Japan's Quest for a Permanent Security Council Seat

US Objective: To express regret that consensus is not obtainable at this time.

Japan's Objective: To thank the US for its soundings on Japan's behalf, but to keep the issue open.

Essential Factors: You endorsed Japan's long-standing aspirations for a permanent seat on the UN Security Council during Fukuda's visit to Washington in March of last year, and promised that we would make representations on Japan's behalf. We did so, but none of the other four permanent members responded positively. Accordingly, we advised the GOJ last month that no further approaches seemed useful at this time; we would continue to support Japan's aspiration.

Points to be Made:

-- (if raised) We did our best, and were sorry to find that consensus was not possible. We will continue to support Japan's aspiration.

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DEPARTMENT OF STATE  
BRIEFING PAPER

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RELATIONS WITH THE SOVIET UNION

US Objective: To sketch -- in broad outline -- trends in US-Soviet relations.

Japan's Objective: To hear your analysis.

Essential Factors: Japan regards the Soviet Union as the primary threat to its security and thus is deeply interested in Soviet global strategy and US ability to act as a counterweight. At lunch with Secretary Vance, Fukuda will hear his thoughts on his recent talks with the Russians in Moscow. He will probably be most interested in hearing from you about overall possibilities for cooperation and conflict in US relations with the USSR.

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Japanese policy towards the USSR aims at maintenance of a stable, bilateral atmosphere in which possibilities for political confrontation are minimized while gradual growth in trade occurs. Moscow's policy toward Japan is heavily influenced by, and in turn seeks to affect, Japan-China ties. Japan's longstanding effort to secure reversion of the four islands known as the "northern Territories," seized by the USSR at the end of World War II, precludes warm relations between the two nations.

Points to be Made:

-- US-Soviet relations continue to be a mixture of competition and cooperation. We hope for the successful conclusion of a SALT agreement. At the same time, growing Soviet intervention in Africa concerns us deeply.

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PEACE IN THE MIDEAST

US Objectives: To maximize Japanese diplomatic support for US Mideast peacemaking efforts; To encourage a positive Japanese attitude toward additional economic aid to Egypt.

Japan's Objective: To hear the President's assessment of the prospects for a Mideast settlement.

Essential Factors: Japan is dependent on Arab oil for nearly half of its energy supply. Since 1973 it has worked hard to multiply political and economic ties with moderate Arab regimes. Japan has sustained a dialogue with the PLO, but has balked at egregiously anti-Israel positions. As a member of the World Bank's Consultative Group for Egypt, Japan has extended substantial "political aid" to the Sadat regime, notwithstanding its tradition of "separating politics from economics." Prime Minister Fukuda is considering a trip to the Middle East and the feasibility of future aid projects in the region.

Points to be Made:

-- Assessment of the prospects for a Mideast settlement.

-- The US continues to count on Japanese diplomatic support of its peacemaking efforts.

-- It is of critical importance that the Sadat regime be sustained in Egypt; to that end international financial help will be required from time to time.

-- The US looks forward to close cooperation with Japan's representatives at the June 14-16 meeting of the World Bank Consultative Group for Egypt.

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SENKAKU ISLANDS TERRITORIAL DISPUTE

US Objectives: To avoid becoming involved in a territorial dispute between Japan and China (PRC and ROC) over ownership of the Senkaku Islands.

Japanese Objectives: Ultimately, to obtain US support for the Japanese claim to the Senkakus, but in the meantime to avoid raising the issue and prompting the United States to reiterate its position.

Essential Factors:

The long-dormant dispute between Japan and the People's Republic of China over ownership of the Senkaku Islands, nine uninhabited islets between Taiwan and Okinawa, flared up in mid-April. Upwards of 140 PRC fishing vessels (some armed) entered the 12-mile territorial waters claimed by the Japanese around the islands and displayed signs asserting the PRC claim. The Japanese quickly demanded an explanation from Peking and the PRC equally quickly termed the incursion an "accident." The Chinese fleet withdrew four days later, largely defusing the crisis, although vessels remained in the vicinity for some time, occasionally straying into the Japanese-claimed waters again. Motives for Peking's action are not clear. The Chinese may have been dissatisfied with what they view at Fukuda's foot-dragging on negotiations for a Sino-Japanese Peace and Friendship Treaty or with Japanese Upper House consideration of the Japan-ROK continental shelf agreement in the face of PRC protests. In any case, the incident has set back prospects for a peace treaty while demonstrating Chinese and Japanese sensitivities about their respective territorial claims. (Both sides had agreed to shelve their conflicting claims in 1972 when Sino-Japanese relations were normalized.) The tiny, barren Senkakus, claimed by the ROC in addition to Japan and the PRC, are significant chiefly for their relation to regional fisheries and possible submarine oil deposits.

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The United States exercised administrative control over the Senkakus from 1945 until 1972 when such control reverted to Japan along with Okinawa and the Ryukyus. The US still uses two of the islets as bombing ranges under the Mutual Security Treaty with Japan. We recognized in 1971 that, despite substantial historical evidence supporting Japan's claim, we would not serve our long term interests in the region by taking sides in the Senkakus dispute. Accordingly, we announced in June 1971 our view that by returning the islands to Japan, the US had not added to or subtracted from legal rights to the Senkakus. The development of US relations with the PRC in the meantime has strengthened the rationale against our involvement in the dispute.

Points to be Made:

-- The US recognized Japanese authority over the islands until the end of World War II. The US exercise of administrative authority from 1945 to 1972 stemmed from Article 3 of the Peace Treaty.

-- The US will not become involved in the Senkakus dispute. As we stated at the time of Okinawa reversion: "The US has consistently maintained that by returning administrative authority over these islands to Japan, the United States has not added to or subtracted from legal rights to the Senkakus which, of course, predate the United States' connection with the Ryukyus."

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BRIEFING PAPER

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FUKUDA'S PROSPECTS

Following the success of the Liberal Democratic Party (LDP) in the July 1977 Upper House Election, it appeared that Prime Minister Fukuda and his government would enjoy a respite from the continuing downward slide of his party's political fortunes. In the intervening months, however, events have occurred which progressively call into question Fukuda's prospects over the long term. His government now faces a complex of domestic and international problems; and on the basis of Fukuda's performance over the past several months, there is growing doubt in Japan about the ability of his government to deal with those problems effectively.

Dealing With the Problems

Despite his reputation as an economic wizard, Fukuda's political problems since taking over as Prime Minister in December 1976 have been largely economic. Last year, continuing economic sluggishness, strong upward pressure on the yen and differences with Japan's major trading partners, particularly the United States, led to widespread business and popular disenchantment with his economic performance.

Fukuda was able to defuse political pressures to a large extent, however, with his November 1977 cabinet reshuffle which brought into his government three widely-respected economic specialists (Komoto as Minister of International Trade and Industry, Miyazawa as Chief of the Economic Planning Agency, and Ushiba as Minister for External Economic Affairs - a new cabinet position). The Strauss-Ushiba agreement which followed in January 1978 eased tensions and appeared to steady the foreign exchange market. While many in early 1978 remained openly skeptical, particularly about Fukuda's 7 percent real growth goal, most were inclined to wait and see if the substantially increased public works budget had its promised salutary effect.

Over the past month, however, the mood has shifted again. Renewed upward pressure on the yen is seen as a direct threat to the survival of many politically important, smaller and medium-sized enterprises and calls into question Japanese ability to meet their economic targets. Accompanying the yen rise, there has been increasing pressure on Fukuda to do something -- anything -- to stabilize the yen

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exchange rate.

It was in part to take people's minds off this situation that he decided, after months of delay, to seek to reopen the long-stalled Sino-Japanese Peace and Friendship Treaty talks by proposing to send Foreign Minister Sonoda to Peking. The talks are stalled again, however, by opposition within Fukuda's faction, and by Japanese irritation over heavy handed Chinese efforts to assert their claims to the Senkaku Islands. The recent clash between thousands of radical demonstrators and police at the new Narita airport, although embarrassing to the Government, also served to divert attention from the economic situation. It remains to be seen, however, whether either development will markedly boost or sink Fukuda's stock.

Fukuda and the Political Parties

Granting the seriousness of on-going issues, Fukuda's position within the ruling LDP is far from weak. His likely successor, LDP Secretary-General Ohira, cannot be sure he will succeed to the Prime Ministership without Fukuda's support. As for the LDP's other powerful faction leaders, former Prime Minister Tanaka, now in the midst of the Lockheed trial, is almost certain to treat Fukuda circumspectly; while Nakasone leans toward Prime Minister Fukuda in the hope that a Fukuda-Ohira split might leave an opening for him. As usual, former Prime Minister Miki is playing an outsider's role. The grumbling which exists within the LDP over political issues, particularly the Sino-Japanese Peace and Friendship Treaty and the perceived U.S. "withdrawal" from Asia, tends to come from Fukuda's own conservative wing which is easiest for him to control. Threats to bolt the LDP from elements of the conservative farm bloc due to U.S.-inspired partial liberalization of beef and citrus imports also appear to be manageable for the time being.

Fukuda's position vis-a-vis the opposition parties is also reasonably strong. While the Diet is currently almost evenly split between the ruling conservatives and the opposition parties, the media and public mood sharply limit the possibilities for opposition obstructionism; and one or another of the smaller centrist parties have been surprisingly willing to vote with the LDP on important issues. The socialists and communists are in disarray and marching to an increasingly irrelevant policy drum. Moreover, Fukuda's well-known desire to dissolve the Diet has forced the opposition parties to restrain themselves or risk a general election for which they are ill-prepared.

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General Election Prospects

While Fukuda has not given up the thought of a May dissolution and June general election, and most observers concede that the LDP would pick up seats, chances for this scenario have diminished markedly. Economic uncertainty prompted by renewed pressure on the yen and the alacrity with which all major LDP factions, excepting only Fukuda's, came out against dissolution have served to prevent an election mood from developing. For Fukuda to go ahead with dissolution now would require a strong hint of economic upturn through public-works spending, a period of yen stability or depreciation following the Washington summit, or some dramatic international development which cast him in a favorable light. On the other hand, there appears to be little likelihood that economic and political pressures will force Fukuda out of office before December. All indications are that in the absence of serious economic deterioration (e.g., a five percent unemployment rate), it is extremely unlikely that he would be asked to step down.

There is general agreement in Japan that a successful general election campaign would assure Fukuda's reelection as LDP President -- and therefore as Prime Minister -- in December. Without an election, however, opinion is divided as to Fukuda's prospects. Under new presidential election rules calling for a runoff between the two top LDP contenders, Ohira is currently thought to be in an advantageous position, but he might still acquiesce in a strong Fukuda request to stay on for another six to twelve months. The economic situation at the time is likely to be determining. If autumn brings more dismal economic news, and if domestic and foreign -- especially American -- criticism of Fukuda mounts, he may well have little choice but to step down. It is this possibility, rather than any elaborate political stratagems, that Ohira appears to be counting on.

Accordingly, Fukuda in Washington will seek to strengthen his domestic position through building an image as a respected world leader capable of putting across Japanese positions on basic political and, more importantly, economic issues to Japan's most important ally.

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BRIEFING PAPER

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US SECURITY POSTURE IN THE WESTERN PACIFIC

The Setting

The major power balance in Asia remains relatively favorable to the US. Our relations with Japan are on a solid footing, and both countries share a parallel interest with the People's Republic of China in curbing Soviet power and influence. Soviet military capabilities and diplomatic energies remain largely directed against China, and while the Soviets have improved their military capabilities in the area they have not been able to translate these gains into political capital. On the contrary, the Soviets are confronted in Asia with the prospect of a war on two fronts.

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Local Power Balances

Local power balances are more fluid. On the Korean peninsula, North Korea has stressed development of its military capabilities; it has been far outstripped economically and matched militarily by South Korea. Long-term trends clearly favor the South; the US can confidently withdraw its ground combat forces from Korea over the next four to five years provided it can compensate the ROK in key areas of military capability. The non-communist nations of Southeast Asia, are directing their energies mainly into economic development, and we are encouraged by the increasing vitality of the Association of Southeast Asian Nations (ASEAN). Moreover, all the nations of the area, both communist and non-communist alike, display determination to resist outside pressures.

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Problems

The East Asian scene, however, is not without its problems and uncertainties. Conflict in Korea or along the Sino-Soviet border would be highly dangerous to our interests. Conflict and instability in Southeast Asia are also possible, centering on the longer-term ambitions of Vietnam, though that area now seems an unlikely source of friction between the major powers. Continued increases in Soviet military power in the region could further fuel concerns, among our Asian friends and on the part of China,

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over how we stack up militarily against the Soviets, and our ability to play a strong stabilizing role.

Soviet Forces in Asia

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The USSR maintains a significant portion (very roughly 25%) of its overall military strength in Soviet Asia. Soviet forces in Asia have been augmented substantially during the past twelve years and in recent years have been subject to major qualitative upgrading. The bulk of Soviet military strength in Asia continues to be directed against the PRC; however, a significant portion is available for employment against other Asian nations. Soviet forces in Asia include 500 ICBM (indeed, the entire ICBM force is capable of being targeted against Asia); 43 ground divisions, of which three are in a defensive posture opposite Japan; 1200 frontal aviation fighters and 180 bombers. The Soviet Pacific fleet includes 111 submarines, 61 principal surface combatants and numerous coastal patrol ships, amphibious warfare ships, landing craft and fleet support ships. Soviet Naval aviation in Asia includes 91 strike, and 132 ASW aircraft.

Recent improvements in Soviet naval capability in the Pacific include integration of six modern major surface combatants, the addition of a new guided missile patrol combatant and the inclusion of two naval infantry regiments in the Pacific fleet.

US Security Objectives and Posture

Our overall security objective for the East Asian region is to preserve the current favorable major power balance by maintaining strong forward-deployed forces, supporting our security commitments, preserving deterrence, showing our resolve, and generally contributing to an overall sense of security and stability in the region. We will continue to assist our allies in procuring appropriate equipment and maintaining forces which contribute to their defense against regional threats.

Consistent with these objectives, we have decided that except for withdrawals from Korea, we will maintain the current level of combat forces in East Asia. At the beginning of this year, there were approximately 140,000 U.S. military personnel deployed in the Western Pacific. In general terms these personnel were distributed as follows:

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Guam -----8,500  
Japan -----49,000  
Philippines -----14,000  
Korea-----40,000  
Taiwan-----less than 1,200  
Afloat-----25,500

Our forces include:

- A squadron of B-52s, plus ballistic missile submarines, at Guam;

- Nine air force tactical fighter squadrons located in the Philippines, Okinawa and Korea;

- Two aircraft carriers, two amphibious ready groups, about 20 cruisers and destroyers, and a dozen support ships in the Western Pacific. About half of these ships are at sea at any one time.

- Three maritime patrol squadrons which operate from bases in the Philippines, Japan, Okinawa and Diego Garcia;

- A Marine Amphibious Force composed of two-thirds of a marine division, a marine air wing and support units located in Japan, Okinawa and afloat;

- Two squadrons of C-130 cargo aircraft in the Philippines and Japan; and

- An Army infantry division and supporting units in Korea which are being reduced over a four to five year period.

During the next four to five years, we will be making some qualitative improvements to our forces in the region by the introduction of several advanced weapon systems: Trident missiles for our nuclear submarines, F-14s for our carriers and F-15s for our Air Force squadrons. In addition, we will modernize and increase the size of our Pacific Fleet to the extent that our shipbuilding schedule permits.

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DEPARTMENT OF STATE  
BRIEFING PAPER

DEFENSE THINKING IN JAPAN

Fears that the withdrawal of US ground forces from Korea presages a general US military disengagement from Asia have sparked an uncharacteristically blunt and candid national dialogue in Japan on defense and security. There are two main schools of thought on what this dialogue portends:

(a) Japan has shed old taboos inhibiting rational consideration of its security needs and is moving to cooperate with the US much like our other US allies in NATO and elsewhere; and

(b) Japan realizes it can no longer rely on the US and is on the verge of a serious rearmament effort so as to assume the burden of its own defense. L

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Among the manifestations of Japan's national security debate has been the demise of the US-Japan Mutual Security Treaty as a contentious political issue. The end of the Vietnam War, the development of relations with the PRC (and the PRC's benign attitude toward the treaty), and the marked growth of Soviet naval power have led to much wider political support for the MST. The security relationship per se is no longer often a promising target for attack on the government. The GOJ has also broken new ground in Diet debates and other public statements, addressing such heretofore taboo matters as whether Japan could legally acquire nuclear weapons and the theoretical acquisition of potentially "offensive" weapons systems (e.g. an aircraft carrier.) The media for their part now treat security issues with an objectivity that was rarely if ever seen in the past thirty years. Some business leaders have urged (unsuccessfully) that Japan loosen its stringent arms export regulations in order to help recession-hit shipyards and heavy industries.

Nevertheless the USG consensus is that Japan's current debate does not herald any fundamental shift in defense policies. Despite some improvement in the country's "nuclear allergy," a strong national aversion to atomic weapons remains. Public support for the "Peace Constitution" is overwhelming and a large percentage of Japanese are extremely wary of anything that smacks of recrudescing militarism.

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Prospects are that Japan will continue and perhaps accelerate gradual improvement of its modest but modern Self-Defense Forces. It may soon exceed the informal but long-maintained limit of one percent of GNP on defense spending. The GOJ will probably be more inclined to expand military cooperation with the US (also once a taboo issue). It will probably increase financial support of US Forces stationed in Japan, perhaps initially in such areas as housing. In short, the debate seems to be moving Japan toward a larger defense role within the framework of the Mutual Security Treaty.

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In this sense Japan's defense dialogue is encouraging rather than alarming. Current Japanese security policy, with its mix of reliance on the US commitment and Japanese force improvements, serves US interest well. It contributes significantly to the larger US goal of maintaining peace and stability in Northeast Asia without creating dangerous friction with any of the region's other powers. A Japan with regional conventional force projection capabilities, to say nothing of nuclear arms, would be viewed a threat by other nations of the area, including Australia and New Zealand. Such a development would also upset the relatively stable Northeast Asian balance of power. Both the Soviets and the Chinese would probably undertake vigorous and inevitably destabilizing buildups to counter and contain this new power element. Massive Japanese rearmament would also jeopardize the trade and political relationships in the area on which Japan is so dependent for resources, markets and economic well-being. The result would be to pose problems for American policy of a far greater magnitude than those we presently face.

The US can best ensure that the Japanese defense debate follows a favorable course by continuing judicious and discreet encouragement to the GOJ as it moves toward a more active, more openly cooperative and more expensive security role. Japanese policy in the delicate defense area must move forward at its own pace. Any US effort to force that pace could repoliticize the US-Japan security relationship and might engender a nationalistic reaction that would complicate the achievement of US objectives.

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A Short Biography of Prime Minister Fukuda

Takeo Fukuda came to the Prime Minister's office late in life, is running hard to remain there, but may be leaving early.

Fukuda started on the road to the top fast. Son of a farmer, he graduated with honors from Tokyo Imperial University, the most prestigious university, and joined the Finance Ministry, the most prestigious Japanese ministry. He rose rapidly through its offices to become director of the budget, the most prestigious post within the ministry. In 1952, he ran for and won a seat in the lower house of the Diet. In the early 1960s, he inherited the remains of Prime Minister Kishi's faction of the ruling Liberal Democratic Party (LDP) and the political world realized that Fukuda had the necessary backing to become prime minister someday.

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A decade slipped by. Slow to decide and reluctant to act, Fukuda found himself out-maneuvered by other contenders. When Fukuda turned 70, newspaper feature stories pointed out that most Japanese prime ministers have assumed office in their mid-sixties and all Japanese politicians are supposed to think of retirement when they reach seventy. Finally, in 1976, Fukuda struck a private deal with Masayoshi Ohira, an important LDP faction leader: they would cooperate to depose incumbent prime minister Miki; Fukuda would become prime minister first for two years, and then relinquish the post to Ohira. This year is the second year of the deal.

Fukuda is an energetic man of 73, and indeed he walks so briskly that bodyguards and reporters must almost run to keep up with him. He normally follows a schedule that exhausts his young secretaries and causes associates to worry about his health. The prime minister suffered a debilitating cold this winter which he had trouble shaking off, but he is well again and has resumed his busy agenda.

During a six-week period in early 1978, Fukuda averaged 10 meetings every working day. His official day begins about 7:30 a.m. with appointments at his private residence,

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often with constituents from Gumma, his home prefecture. In his office by 9:00, the Prime Minister faces a steady stream of visitors. He often turns his lunch hour into a working session. And he rarely makes it home for dinner. It is not unusual to find him working until 10 or 11 p.m.

During the six-week period he met each Cabinet member at least once and with the various economic ministers more often, an indication of the importance he attaches to economic issues. He saw 80 members of the Diet, primarily those from the LDP -- Fukuda tends to leave relations with opposition politicians, particularly compromises over legislation, up to Ohira who is now LDP Secretary General. About 15 percent of Fukuda's appointments were with private citizens, predominantly from the economic and business world, though he makes a point of meeting with scholars once a month. The Prime Minister enjoys meeting foreigners, and during this period he received a number of such visitors. The Prime Minister will occasionally chat in English with foreigners though he uses an interpreter for formal occasions.

Fukuda lives in a modest house in Nozawa, a suburb of Tokyo. He has no second home and says he never will have one. Fukuda was implicated in a bribery scandal in his early years as a politician. Although eventually cleared of the charges against him, the experience reinforced his belief that politicians should live simply and unpretentiously.

Fukuda's leisure interests are either cerebral or highly Japanese: calligraphy, the tea ceremony, the game of go (he began playing this complex board game at age four and now holds its highest skill ranking), raising bonsai trees, and feeding the birds in his garden. He likes to talk about his golf game, but he plays rarely -- and, with a handicap of 24, not very well. Last time out (April 9), he managed to bend a club shaft.

Fukuda flouted the prewar Japanese tradition of parental arrangement of marriages; he and Mie Arai, the daughter of a Gumma Prefecture postmaster, made their own decision to get married in 1933. They now have three sons and two daughters, all married. Their oldest son, Yasuo, is a private secretary to his father, and the older daughter's husband, LDP Dietman Michio Ochi, holds an administrative post in the

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Prime Minister's office. Together with Chief Cabinet Secretary Abe, they are Fukuda's closest advisers. The press calls them the Nozawa Mafia. Son Yasuo will accompany Fukuda to the US.

Will Fukuda abdicate the Prime Minister's chair this year? The choice may not be left to him. He must stand for party presidential elections in December -- elections in which all LDP members vote in the primary and LDP parliamentarians vote in the run-off election. Present estimates give Ohira 60 percent of the members' vote and a majority of the parliamentary vote. But Fukuda has a plan. He would like to call a general election for the Diet, probably in September. Present surveys and several by-elections show the LDP has a chance of increasing its slim majority in the Diet, reversing a twenty-year trend. If Fukuda was able to bring off a major victory at the polls, Ohira would find it difficult to challenge him for the Prime Minister's office.

A successful election will depend on an upturn in the business cycle which, in turn, depends on a resolution of Japan's economic problems which are in great part influenced by relations with the US. Fukuda sees a successful visit to Washington as the first step on a difficult journey to ultimate reelection as party president and Prime Minister.

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**c. 1978/05/02**

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## STATE DEPT. DECLASSIFICATION REVIEW

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TALKING PAPER FOR

STATE LUNCHEON FOR PRIME MINISTER FUKUDA

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SUBJECT: U.S. - Japanese Defense RelationsIssue:

- Strength of U.S. commitment to Asia.

-- Japan seeks U.S. commitment to undiminished interest in Asian security.

-- Japan concerned about buildup of Soviet conventional military capability and North Korean militancy.

Points to be Made:

- U.S. has not reduced its commitment to Korea, other obligations in Asia or to maintaining our basic security posture in Asia.

-- Recent emphasis on Europe reflects our need to redress deficiencies there.

-- What we are doing in Europe will not come at the expense of our Asian defenses.

-- We plan qualitatively to improve our Pacific forces during the next five years, for example:

--- Introducing F-14s, F-15s, F-16s, AWACS and Trident.

-- Japan's Self-Defense Forces will also be improving with procurement of F-15s and P3Cs.

Issue:

- Korean withdrawal: Timetable and Objective

-- Japan is concerned about our commitment to Korean security.

-- Japan also fears U.S. may have secret moves afoot with North Korea.

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Points to be Made:

- We have informed Japanese of Tito's proposal.

-- We will not talk directly to North Korea without full participation by the South.

- U.S. will take no action which would have a destabilizing effect in Northeast Asia.

- U.S. force withdrawal and compensatory transfer of equipment to ROK are two parts of a single policy.

Issue:

- Senkaku Islands territorial dispute

-- U.S. seeks to avoid becoming involved in a territorial dispute between Japan and China (PRC and ROC) over ownership of these islands.

-- U.S. recognized Japanese authority over the islands until the end of WWII. U.S. exercise of administrative authority from 1945-1972 stemmed from Article 3 of Peace Treaty.

-- As we stated at the time of Okinawa reversion: "The U.S. has consistently maintained that by returning administrative authority over these islands to Japan, the U.S. has not added to or subtracted from legal rights to the Senkakus: which, of course, predate the U.S. connection with the Ryukyus."

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**1978/05/23**

NATIONAL SECURITY COUNCIL

File 19  
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May 23, 1978

MEMORANDUM FOR: ZBIGNIEW BRZEZINSKI  
FROM: MIKE ARMACOST  
SUBJECT: Your Meeting with Fukuda

Since your meeting with Fukuda will last only an hour, I suggest that you merely (1) debrief him on the outcome of your talks in China, and (2) briefly foreshadow your discussions with Park.

China. You should give Fukuda a feel for China's outlook on foreign affairs as revealed in your discussions with Hua, Teng, and Huang; pass on aspects of the conversations which relate directly to Japanese interests, and characterize in general terms where we now stand on the normalization issue.

-- Emphasize the fact that the atmosphere in the discussions with Chinese leaders was cordial throughout, that you found many common points in the discussions, and did not hesitate to acknowledge differences where they exist.

-- Describe for Fukuda the prevailing mood in Peking on foreign policy matters, e.g., the absorbing preoccupation with the USSR, the relative absence of ideological "hang-ups," and the classical "realpolitik" approach (as evidenced by the PRC's support for Western European unity, its desire for close Sino-Japanese and Sino-U.S. ties, its emphasis on encouraging national independence and regional cohesion in Africa and Asia, its desire to see a negotiated solution in the Middle East, its denunciations of Vietnamese behavior).

-- Review in somewhat greater detail Chinese views on Asian issues, most notably Indochina and Korea. With respect to Vietnam, I would note the candor with which Huang Hua identified the basic problem as Hanoi's ambition to establish an Indochina Federation and Chinese openness in acknowledging the growing dimensions of refugee problem. As for Korea, inform Fukuda that you heard the same hard line that emerged in Premier Hua's comments in Pyongyang. That is, a Chinese call for the immediate withdrawal of all U.S. troops, endorsement of the North's claim to be the "sole legitimate political entity" on the Peninsula, and rejection of the cross recognition and U.N. dual representation concepts. Note, however, that we still assume

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the Chinese are counseling restraint and caution in their discussions with Kim Il-sung. And add that when you came back hard at Huang on Korea, he let it pass without arguing the issue further.

-- With respect to Sino-Japanese relations, you should emphasize that you and the Chinese agreed on the importance of good Sino-Japanese relations and that the Chinese acknowledged their familiar position that they attach great importance to the preservation of close U.S.-Japanese links.

-- If you have a tete-a-tete with Fukuda read him the following paragraph:

"We think it is in the interest of the Japanese to conclude the Treaty of Peace and Friendship in China, to incorporate the anti-hegemony clause in toto into the operative phases of the Treaty. It will be a restraint on China. Under the Treaty, China will be committed never to seek hegemony and actually it is our consistent policy not to seek it. Through the conclusion of the Treaty, China will undertake the legal commitment. It would also be beneficial to the image of Japan. During the Second World War Japan invaded many Asian countries which still have vivid memories of the Japanese atrocities during that time. The conclusion of the Treaty will change their views on Japan and improve the image of Japan among those countries. It is also beneficial to Japanese resistance against Soviet pressure. So we think the conclusion of the Treaty is in the interest of the Japanese side."

-- If Fukuda asks how you responded, I would finesse the issue a bit, making it clear that your position is the same as the President's but that the Chinese were merely explaining their own views and not seeking to propel the U.S. into the negotiations.

-- With respect to the Senkakus you should tell Fukuda that the Chinese repeated their view that they had relinquished no claims at the time of Sino-Japanese normalization; they had merely agreed to set the issue aside in hopes of resolving it through future negotiation. Mention also the fact that Huang Hua played down the recent fishing boat incident.

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-- As for Sino-U.S. relations, I believe that you should remind Fukuda that your trip was not essentially designed to negotiate normalization; acknowledge that the subject did come up; comment that from the discussion it was apparent that the Chinese discern a linkage between continued movement toward full normalization and the degree to which the U.S. and China will be able to develop and sustain mutually reinforcing policies on matters of joint strategic concern; indicate that we hope for some further development of our consultative ties as we continue to move toward normalization.

Korea. Fukuda may try to draw you out what you expect to discuss with Park in Seoul. You should not be drawn into any detailed discussion of this, given Korean sensitivities. You can tell Fukuda that you expect to:

-- Debrief Park on Korean aspects of your discussions in Peking; and

-- Reaffirm our commitment to Korean security, expressed through the prudence with which we will conduct troop withdrawals, and the constancy of our diplomatic policy.

-- If he asks about prospects for Tripartite Talks, indicate that we have not had any indication of North Korean interest.

-- If he asks what we will do regarding troop withdrawals if Congress doesn't pass a compensation package, note that the issue is hypothetical, that Congress is considering compensation measures now, and that we expect their passage this session.

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**1978/08/11**



MEMORANDUM

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NATIONAL SECURITY COUNCIL

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August 11, 1978

INFORMATION

MEMORANDUM FOR: ZBIGNIEW BRZEZINSKI  
FROM: NICK PLATT <sup>no</sup> ←  
MIKE OKSENBERG <sup>no</sup>  
SUBJECT: China-Japan-Soviet Triangle

The Sino-Japanese PFT is scheduled to be signed early tomorrow morning. The Japanese have said that Sonoda's talks in Peking have gone very well and have passed us a draft of the treaty (attached). The Japanese believe all their needs have been met, and this seems to be the case. Sonoda's talk with Teng Hsiao-p'ing yesterday was particularly significant. Teng called last April's broo-ha-ha around the Senkaku's as "an accident which will not happen again", a conciliatory gesture regarding a bit of territory over which China continues to claim sovereignty. (There were in fact signs of disarray in Chinese policy-making at the time of the incident.)

Teng also told Sonoda flatly that China would inform Moscow in April of its intention to abrogate the Sino-Soviet treaty. The Japanese will be making this information public "in due course", presumably during intra-party or Diet debate on the treaty -- which means an early revelation. The Japanese hope to handle this revelation so as to minimize the damage with Moscow, but the fact is that they are now prepared not only to endure the vituperation of the PFT but the additional abuse that will result from making public Teng's statement. The Soviets will probably decline for some time to replace Ambassador Polyansky (who has already left Tokyo), but they will eventually calm down, as they did after the Japanese recognized Peking in late 1972. Nevertheless, Moscow is now faced with a more wide-ranging improvement of Sino-Japanese relations than it probably expected, coupled with rapidly expanding ties in the S & T field.

Chinese willingness to be officially explicit to third parties about the termination of the Sino-Soviet Treaty -- and well in advance of the event at that -- is also

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significant. Moscow should hardly be flabbergasted that Peking will formally abrogate a treaty that has long been a dead matter, but China's contemptuous defiance of the USSR always raises Russian bloodpressure. The Soviets are likely to reinforce their forces along the border, raising tensions further. They could even contemplate giving China a bloody nose in the border region; after all, they got Peking to climb down somewhat as a result of the border fracas of 1969. But Moscow is acutely aware that 1969 led directly to 1971.

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