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THE WHITE HOUSE
WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Toshiki Kaifu
of Japan (2)

PARTICIPANTS: The President
James A. Baker, III, Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
Richard Solomon, Assistant Secretary of State
for East Asian and Pacific Affairs
Nancy Bearg Dyke, NSC Staff (Notetaker)
Frances Seeds (Interpreter)

Toshiki Kaifu, Prime Minister
Taro Nakayama, Minister of Foreign Affairs
Ambassador Owada
Mr. Matsuura
Mr. Oshima
Mr. Okamoto
Koji Tsuruota, Interpreter

DATE, TIME September 29, 1990, 7:00 - 8:05 p.m.
AND PLACE: Waldorf Astoria Hotel, New York City

The President: Welcome and I am very pleased to see you at this critically important time. I am grateful for the many consultations you and I have had personally and the work done by our finance and foreign ministers. From my standpoint, I want to say thanks for coming here. I apologize for the New York traffic tie ups. (2)

I will continue to speak out publicly in the US saying the US and Japan are side-by-side in the UN and bilaterally in response to aggression. I am very pleased with Japan's response. I have only four subjects to raise, but I want to turn the floor over to you and, again, welcome. (2)

Prime Minister Kaifu: Thank you. First, I want to say how happy I am to see you again. I have already conveyed to you with letters and phone calls how I feel in this crisis. I want to reiterate that I admire your leadership, your courage, and your promptly acting to deploy forces together with the Arabs for a

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multilateral force and in the United Nations that has kept Saddam Hussein from taking further action. (S)

As we were looking forward to a major trend in history -- from US and Soviet opposition to one of dialogue -- we cannot overlook aggression. Japan is committed to full implementation of the UN resolutions and I have been exerting all of my efforts to this. (S)

(Fire alarm sounded. Ambassador Joseph Reed came in and assured us it was false.)

Prime Minister Kaifu: I have acted on the basis of this understanding together with my cabinet to come up with contributions, especially for Egypt, Jordan, and Turkey; \$2 billion worth of aid. In addition, we have contributed \$22 million to relieving refugee problems but most important is not the money. As I told you in the beginning, I would do the most I could to come up with assistance. In kind, we are providing medical assistance, and others (types of assistance) are now gradually coming to reality. I think we have discussed over the phone that there are many ways to deal with this crisis with economic sanctions, to get them as effective as can be. I look forward to your continuing strong leadership. (S)

The President: We fully understand the constitutional constraints of Japan and I understand you have constructed ways for the Japan Self Defense Forces to participate in the forces. Anything like that would be very useful and quite well received around the world. You mentioned Gulf support. I urge it not be delayed. Come as fast as possible. You may have Diet problems, but I encourage it not to lay over until next year. The recipients need it as soon as possible. (S)

On a different subject: you have been most generous in terms of Host Nation Support, but if it could be increased in 1991, it would send a good signal to our country. I readily concede Japan has been most generous in sustaining our forces and more so than others. (S)

Two other subjects: One is always contentious - agriculture and the Uruguay Round. Again, we are always dealing with problems in Congress, and you tell me about problems in your Diet. I know this is complicated for you at home. A successful conclusion of the Uruguay Round will mean a half trillion dollars increase in world trade -- fast. You remember our discussion in Houston with the EC on this question. I'm soliciting support up here with countries, such as Poland and other European countries, to work for a successful conclusion of the Uruguay Round. So I would just make the appeal and ask you to share with your cabinet and

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Diet that we are trying to get as much openness on the trade side as possible. (S)

The other subject, Toshiki, was the Strategic Petroleum Reserve (SPR). These speculators, largely in Chicago and elsewhere, are driving oil prices up on a purely speculative basis. And I'm sure there is concern about that in Japan as well as here. Our assessment is that there is not a shortage of oil going to market but there may be in the fourth quarter this year. So, it might be that we should join together to draw down some from the SPR to counteract the market and relieve some of the shortage in the fourth quarter. We have been a little divided whether to call you about drawing down our own. We are not in that mode now. But, we will make a test drawdown of our own. (S)

Our Energy Department is urging a significant drawdown and to urge Japan and Germany to join in. But others are a little more cautious about that approach right now. I would like to urge that we stay in close touch on it and act in concert as much as possible. It would send a signal to speculators. I have not raised this with Chancellor Kohl yet, but I wanted you to know now that we are thinking about it. (S)

Prime Minister Kaifu: On the first question, as I said, we are contemplating, discussing among ourselves what Japan can do. We are looking into a world that is changing, and the US is leading the world that will be centered around the United Nations. I am supporting a law we call UN Peace Cooperation Law. The Cooperation Corps, which will be dispatched under this law, will include everyone from Japan being dispatched. It is a completely new concept. It will enable Japan not to just send money but also personnel. We will be sweating with you too. (S)

The Japanese people, in the last 45 years, have been used to peace provided by you. The Japanese are of the understanding that at the time of World War II Japan caused severe trouble throughout the world and decided not to be involved in any activities of force. That is the framework of the constitution you refer to, George, and it is true that the stability of Japan has contributed to stability in Asia. Therefore, the framework under which we are now considering the bill is to include cooperation but not combat and limiting ourselves to non-military activities. I stated these points just prior to departing Japan in a press conference but further discussion will be necessary in Japan as we present the bill to the Diet. Public opinion will have a role. I wanted to impress upon the Japanese people the need to assist. (S)

The President: What was the reaction? Favorable? (S)

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Prime Minister Kaifu: I invited only the party leaders. The largest opposition party was strongly opposed. The second largest opposition party put strong restrictions on JSDF and they prefer not to dispatch at all. This is against the background of Japan never in the past engaging in such an exercise. There will be much more time and many more arguments to be done before we engage in it, but I intend to do it. (S)

When we will have more details of the bill, I will have Ambassador Murata inform you or someone in your Administration. Since we are still writing it, I am not in a position right now to tell you all the contents. (S)

Second, on the contribution. Right after I announced the major pillars of our contribution, I made public the \$1 billion figure. That was what we could make immediately available this fiscal year. When Secretary Brady came, he informed me that more funds will be needed in the long run. So I said an additional \$1 billion, but it is not in the current FY reserve fund. I am consulting with the Finance Minister how to back up this pledge. (S)

We, of course, will try to come up with additional funds in the current budget but will not produce enough. So, I intend to call an Extraordinary Session (Diet) to come up with the funds. Of the \$2 billion pledged, we will take measures to make \$600 million available this year and the rest maybe through IMF, not directly by our budget. We will discuss it. The first \$1 billion, which we hoped would primarily go to the US, was intended originally to be given to the UN, but the UN declined. Therefore, we had to go to the GCC and through negotiations we were able to set up the Gulf Fund for Peace. \$1 billion is there already and in kind to the US and payments to the aircraft charters have already been made. (S)

The \$22 million contribution to refugees is being used to dispatch aircraft to Jordan and carry refugees home. And, the medical team went first to Saudi Arabia then to Jordan to see if there are any medical needs they can meet. (S)

On the Uruguay Round, as I stated at the Houston Summit, Japan's position is to have the Uruguay Round succeed. I have given instructions in this regard to my cabinet ministers. According to reports I have received from my Agriculture Minister, on September 28 Japan submitted to GATT the offer of a list on products. I understand countries have problems, but I instructed my ministers to make offers to come to agreement. I hope by the first part of December, we will be able to arrive at a successful agreement. (S)

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On Host Nation Support, we have been making efforts on our own on the understanding that the US-Japan security arrangement is of utmost importance. So we have been making a major effort. Now in the Japanese Government, we are considering the next midterm defense plan, and we are considering Host Nation Support. And, I would state to you that as a matter of course we will make our best efforts for you, for the US. On Host Nation Support, as we were considering contributions in the Middle East, some said HNS should be included as a pillar in our Persian Gulf help. Others said, "No, it is a matter of course and should not be part of our contribution to the Middle East crisis." This latter view prevailed. Please don't misconstrue just because we have not mentioned this during the crisis. They are separate. (S)

The President: Yes, they are separate. (S)

Prime Minister Kaifu: Since we are seeing oil prices rise, we need a serious response for Japan. We are now thinking if we indicate we will use the reserves, we invite panic. So we would rather tell people they need to conserve. Japan had 220,000 barrels a day of oil from Iraq and Kuwait, and they are gone and the price is rising, and we need to accept it. If the volume of oil in Japan goes down, we need to do something, but right now, the Japanese Government position is to tell people they need to live with the price hikes and not touch the reserves. (S)

I just stated in a very simple and frank way our position. Since the whole world is undergoing change/crisis, we may need to consider this further, and please contact me or us. (S)

The President: I will. It is hard to know what is the right thing to do. Let's stay in close touch on this. The International Energy Agency will be discussing it soon - in the next few days. (S)

Prime Minister Kaifu: Please feel free to consult me on this issue when we need to cooperate and I'll do as much as I can. (S)

I would like to take this opportunity to inform you about Korea. A team headed by Kanamaru and including Hanabe visited North Korea. Prior to my departure, I had said as leader of the LDP I apologize for our past history in Korea. But since we have no relationship with North Korea, I said I couldn't say anything as Prime Minister. The visit is still not fully reported to me, but things are moving. I know that North Korea still does not accept the IAEA safeguards. But, also we need the ROK involved and informed. I called President Roh and said I intend to keep him informed. I hope to come to a balanced resolution in the end. (S)

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The President: What is the latest with the Soviets? (Ø)

Prime Minister Kaifu: Soviet Foreign Minister Shevardnadze came to Japan, and I held talks with him. During the visit, we agreed that Gorbachev would visit Japan in April. We have the territorial question to be resolved. The Northern Territories remain an issue from World War II, and we intend to resolve it with a peace treaty. I hope Gorbachev's visit is a turning point. Up until then, a Soviet economic team may come to learn about the Japanese economy, and we may have a technical assistance team. But, as we go into this, we cannot set aside the Northern Territories issue. (Ø)

The President: No. (Ø)

Prime Minister Kaifu: We feel they may be thinking about putting the Northern Territories issue off for the next ten years. I'm concerned, so I told the Soviet Ambassador we are looking for stability of the Soviet-Japanese relationship. So, we support perestroika. I have made these points to them. I look for your continued support, George. (Ø)

The President: Yes, we will continue to support you, and I hope they will accommodate you on this longstanding issue. (Ø)

Prime Minister Kaifu: I would again like to reiterate that we are interested in free democracy and market economies becoming the governing rules of the world, and we ought to get rid of Saddam Hussein as soon as possible. (Ø)

I would like to invite you and Barbara to make a State Visit in the spring. (Ø)

The President: Sounds great. I accept before you change your mind. Bar will be happy. We will have to work out the dates. It is important for the US and Japan, and for other reasons. (Ø)

-- End of Conversation --

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