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THE WHITE HOUSE

WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: Plenary Meeting with Prime Minister Noboru Takeshita of Japan (U)

PARTICIPANTS:

U.S.

The President

James A. Baker III, Secretary of State

Nicholas Brady, Secretary of the Treasury

John H. Sununu, Chief of Staff

Brent Scowcroft, Assistant to the President
for National Security Affairs

Marlin Fitzwater, Assistant to the President
for Press Relations

Robert M. Gates, Deputy Assistant to the
President for National Security Affairs

Gaston J. Sigur, Assistant Secretary of State
for East Asian and Pacific Affairs

L. DeSaix Anderson, Charge d'Affaires,
American Embassy, Tokyo

James A. Kelly, NSC, Notetaker

Mrs. Fumiko Gregg, Interpreter

Japan

Prime Minister Noboru Takeshita

Sousuke Uno, Foreign Minister

Tatsuo Murayama, Minister of Finance

Ambassador Nobuo Matsunaga

Ichiro Ozawa, Deputy Chief Cabinet Secretary

Takakasu Kuriyama, Deputy Foreign Minister

Tatsuo Arima, Director-General for North
American Affairs, MOFA

Terusuke Terada, Private Secretary of the
Prime Minister

Yukio Okamoto, Director, First North American
Affairs Bureau, MOFA

Shinichi Nishimiya, Interpreter

DATE, TIME
AND PLACE:

February 2, 1989, 11:10 a.m. - 12:00 noon
Cabinet Room

The President began by informing the Plenary group of the first-name relationship that had been established in the just concluded one-on-one meeting. The President stressed his affection for Prime Minister Takeshita and noted important implications that sound personal ties had for the U.S.-Japan relationship. The

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President said that he was honored to represent the United States of America at the ceremony for the late Emperor, that it was a privilege for him to do so, and that he would go with great respect and condolence to the Japanese people. He said he appreciated the very kind message from the Emperor that had been brought to him by the Prime Minister. (U)

The President stressed to the Prime Minister that he wanted him to know that everyone on the United States' side shares the President's view of the importance of the relationship of Japan and the United States. He continued that this relationship will only get stronger if we are able to work closely together. The President said that he has a keen, personal interest in this relationship, that if there are problems, and there are problems, that the two governments can talk about them and that "Noboru" can talk to "George" directly about them. These problems should be worked on early before they become very serious so that quicker progress can be made toward resolving them. He then asked the Prime Minister to begin his remarks. (S)

The Prime Minister thanked the President, calling him "George." He said he was pleased with this first-name basis of the relationship and that he was pleased that the President had told his colleagues about it. He pointed out that he had explained to the President that the Japanese people were deeply grateful for what the President had said, that the forthcoming visit to Japan represents not the past, but the importance of the present and future. The Prime Minister said that the leadership role played by the United States is irreplaceable, that Japan would like to be the most credible friend of the United States, and that the two leaders could communicate by many means, including letter, cable and telephone. As a result of this, the Prime Minister said, he expected to be America's most credible friend. (S)

The Prime Minister continued that, given the extremely broad relationship, we may have to use our communications capabilities from time to time. Through his years in the diet (parliament) the Prime Minister had tried to nip frictions in the bud; that is how he felt the relationship between the two countries could be managed. The Prime Minister stressed, commenting wryly, that Jim Baker may not believe it, but that he has been known for taking a long time to make decisions, but that he would follow through firmly on the implementation of whatever he decided. The Prime Minister intends to continue to be an effective implementor, but he also plans to be faster on the process of making decisions. (S)

The President responded, noting that the U.S.-Japan Security Treaty had provided a basis for this strong relationship and a foundation for real economic development in Asia. The Security

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Treaty was being reaffirmed at this meeting, and he had no pressing indications of problems relating to that. The President mentioned, to the degree that we can work together on problems like the Philippines, and there is good cooperation on that, the example can set a sound pattern for joint efforts in many fields. (§)

The President continued that he is determined to get the U.S. federal deficit down. He said that this is important to the United States and he thinks it is also important to Japan. With the help of those who are with him at the meeting, the President is ready to make tough decisions on the U.S. budget. He intends to stress, however, to our other allies and to Japan, that nothing from the budget debate should suggest a pulling back of America from the world. There is an American commitment to economic development and democracy around the world. The President observed that the Prime Minister had followed American elections, and Ambassador Matsunaga was certainly an astute observer of the process; therefore, what he would mention may be "old hat." But during the American campaign many questions had been raised about issues such as burdensharing and protectionism, and the pressures on these became quite heavy. The American people, who are aware of what some would call America's disproportionate share of defense spending at a time of deficit, were also very cautious in assessing our foreign relations. In the final analysis, Americans had resisted the siren's call to protectionism, and they had resisted the siren's call to pull back from the United States' global responsibilities. These pressures are still there, said the President, and they are quite acute on some important members of Congress, so that the more the U.S. and Japan can do together visibly on economic assistance, defense matters and burdensharing, the better it will be for our overall relationship. He noted that the Japanese side might have some complaints against United States' policies, but the more effectively that we cooperate on working on these, the better the pressures on both sides can be resisted. (§)

The Prime Minister responded with appreciation. He said that he shared with the President a basic recognition of what the President had said. For Japan, the basis of peace and cooperation is the Security Treaty arrangement, and Japan will do its level best to strengthen and maintain the Security Treaty. For America's part, he hopes to see this unswerving commitment to that treaty, which the President affirmed. (§)

The Prime Minister continued that as far as so-called individual issues were concerned, by solving almost all of them last year, we proved the resilience of our relationship. Now there were issues that pose domestic problems, for example, issues of market opening and market access. The Prime Minister will make sure

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that such issues do not undermine the basic fabric of the relationship. The Prime Minister said, as he has often said before, that Japan has been the largest beneficiary of the free trade system. He tells the Japanese people they must never forget the forty-plus years since 1946. The Prime Minister recalled 1946 when the United States gave aid amounting to 4% of Japan's GNP at that time when Japan was in need. (S)

If we look at today, said the Prime Minister, our economies are the largest in the world. Together they total 37% of the global gross national product. Whatever transpires between the two economies has immense impact of global dimension. The Prime Minister noted that the President had mentioned the Philippines, and he said that beginning the following day, senior officials of the U.S. and Japan will be meeting to work on this problem in Manila. The Prime Minister suggested that this is the kind of policy coordination that we have talked about and which is essential. The Prime Minister commented on the phrase "burdensharing" that the President had used, and took the opportunity to give his appreciation to Secretary Baker who had used the words "creative responsibility sharing" at his confirmation hearing. The Prime Minister repeated this formulation which he believes translates better into Japanese. (S)

The Prime Minister said that the economic summit causes the pursuit of coordination and cooperation between our two countries to transcend bilateral matters by having an important impact on the destiny of the entire world. The Prime Minister commented on the U.S. role in that respect. One point concerned East-West relations. He noted that at the Williamsburg summit the allies had agreed to cohesion with respect to their relations with the USSR. Since then, summits had been held between the U.S. and the Soviet Union and a more favorable atmosphere had been "brewed." The Prime Minister stressed that only the U.S. could have brought this progress and that it would not have happened without the U.S. Given that reason, Japan would wish to continue its close consultation on Soviet affairs. A "peace offensive" is unfolding from the Soviets on arms control and disarmament and on economic relations. Since this is so, the importance of keeping in close coordination on relations with the Soviet Union continues to be of great significance. Commenting further, the Prime Minister said that Japan had a special problem in its relationship with the Soviet Union concerning the Northern Territories. The Foreign Minister had conveyed, in his talks with Minister Shevardnadze, that whatever progress occurred in other bilateral areas would be measured by the Soviet response on the Northern Territories issue. The Prime Minister hoped that the U.S. would continue its understanding and support of this very special problem for Japan. (S)

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For the second point, the Prime Minister noted that the U.S. is the largest economy, and that the U.S. commands the key foreign exchange currency. Secretary Baker had been his teacher in the matter of exchange rates, and it was therefore important that we continue the coordination of our positions on exchange matters, although he believed they were in rather good shape at the moment. The Prime Minister thanked the President for his remark on the U.S. budget deficit, and said he highly appreciated the President's statement. He agreed with the President on the need to uphold and strengthen the free trade system. He said that Japan will consult fully to promote the Uruguay Round of trade consultations. The Prime Minister concluded by saying that the above may have sounded like a request list, but there were prerequisites to Japan's management of its economic policies, including the continuation of its own defense efforts and keeping in close coordination with the U.S. in these areas. (S)

The President responded that he agreed on the policy coordination of policies toward the Soviet Union, and on the importance of coordination of our economic policies. He also asked to maximize our cooperation on agriculture, something that is extremely helpful to the United States. He agreed with the Prime Minister's assessment on the overall relations with the Soviet Union. The U.S. position remains the same on the Northern Territories and we make that position clear to the Soviets whenever there is a chance. (S)

The President said that he had been asked by the doctor to not speak as much as he does normally (because of his serious cold), and as a result he was going to ask Secretary Baker to tell the Prime Minister how we intend to move in our dealings with the Soviets. It is not the United States' intention to drag its feet and it will not be the U.S. intent to "set the clock back." (S)

Secretary Baker told the Prime Minister that, on the matter of taxes he noted the Prime Minister had just concluded a remarkable political effort on tax reform. The President is serious about no new taxes. The Secretary said that when the President had said there was a review of the Soviet relationship, especially the strategic arms situation, there were several reasons for this. Not the least of these reasons, according to the Secretary, are some very important decisions that the President must make on the strategic modernization of U.S. forces. These are decisions the President must make over the next few months. (S)

The Secretary continued that, on the Soviet relationship, the intent is to build on the progress that has been made to date, that there will be no delay for the sake of delay, and the U.S.

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plans to go about its work in a reasonable and imaginative way. This has been communicated to the Soviet Union and the Secretary said that they understand it quite well. To build necessary communications, the President is sending the Secretary to visit the NATO foreign ministers before there is any U.S. ministerial with the Soviet Union. Secretary Baker said he planned to begin the following week with five days in relevant capitals. He would then return to consult with the President. (S)

The Prime Minister responded that he applauded the Secretary's going to meet with his NATO counterparts, and that he appreciated that the Secretary and President had already met with their Japanese counterparts. The Prime Minister appreciated the way in which the U.S. is going about this effort. The Prime Minister noted that, in the President's inaugural address, he had stated that he intended to build American strength, vigilance, and deterrence at the same time. This is appreciated, but the key words will be a close policy consultation with respect to dealing with the Soviet Union. (S)

The Prime Minister, as the meeting was ending, commented on his tax reform effort. It took ten years, he said, and he expressed appreciation to Finance Minister Maruyama, who had been his teacher on such matters and had worked on them for 50 years. (U)

The meeting then concluded at 12:05 p.m., and the party walked to the residence for the luncheon. (U)

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