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| 10b. Memcon | Re: Memorandum of Conversation (8 pp.) | 9/1/89 | (b)(1) | C |

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| AR Disposition: | MR Disposition: Released in Part |
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National Security Classified Information [(a)(1) of the PRA]
- P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P-3 Release would violate a Federal statute [(a)(3) of the PRA]
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

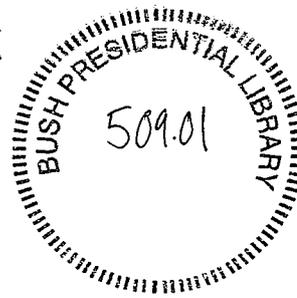
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Freedom of Information Act - [5 U.S.C. 552(b)]

- (b)(1) National security classified information [(b)(1) of the FOIA]
- (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
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- (b)(9) Release would disclose geological or geophysical information

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THE WHITE HOUSE
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MEMORANDUM OF CONVERSATION

SUBJECT: Plenary Meeting with Toshiki Kaifu, Prime
Minister of Japan (Ø)

PARTICIPANTS: The President
The Vice President
James A. Baker, The Secretary of State
Nicholas Brady, The Secretary of the Treasury
Richard Cheney, The Secretary of Defense
Carla Hills, U.S. Trade Representative
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President
for National Security Affairs
Robert M. Gates, Assistant to the President
and Deputy for National Security Affairs
Michael Armacost, Ambassador to Japan
Richard Solomon, Assistant Secretary of State
for East Asia and the Pacific
(Designate)
Karl D. Jackson, Senior Director for Asian
Affairs
Fumiko Gregg (Interpreter)

Toshiki Kaifu, Prime Minister
Taro Nakayama, Minister of Foreign Affairs
Nobuo Matsunaga, Ambassador to the United
States
Nobuo Ishihara, Deputy Chief Cabinet
Secretary
Hisashi Owada, Deputy Minister of Foreign
Affairs
Tatsuo Arima, Director General for North
America Affairs, MOFA
Sadayuki Hayashi, Director General for
Economic Affairs, MOFA
Yukio Okamoto, Notetaker
Koji Tsuruoka, Interpreter

DATE, TIME September 1, 1989, 11:40am - 12:20pm EDT
AND PLACE: The Oval Office

The President opened by welcoming the Prime Minister in the warmest personal terms, saying that they had agreed to

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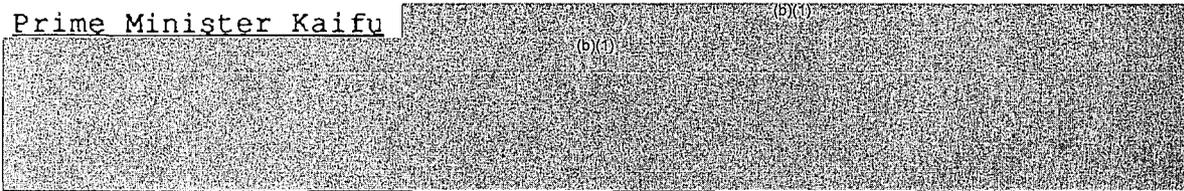
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communicate on a first name basis, and offering to discuss anything the Prime Minister had on his mind. (C)

Prime Minister Kaifu responded by thanking the President and pledged, as his predecessors had, to preserve U.S.-Japan relations as the cornerstone of Japan's foreign policy. (C)

The President raised China policy as an example of the kind of policy on which we must maintain close coordination. He opined that China was having difficult times and that he hoped they would eventually emerge from these. (C)

Prime Minister Kaifu



The President interjected that Japan is lucky. China is knocking the United States: "They are blaming us for everything that happened in Tiananmen Square. To use an old Chinese proverb, 'It hurts our feelings.'" (C)

Prime Minister Kaifu stated that in his past discussions with high ranking officials in education he was told that the aim of China is to allow people to read and think for themselves, to become more free and affluent. The basic trend is there. (C)

The President rejoined that change seemed to get out of hand. Zhao had warned us when we visited China and events show just how quickly things evolved. Now Zhao is in disgrace. However, if the U.S. and Japan stay together on China policy with our friends and allies we can manage this terribly important geo-political relationship. (C)

The President next raised the trade issue by saying that in both systems the executive faced pressures from the legislature. He stated that on satellites, supercomputers, and forestry products the negotiations must be successful. If the balance of trade becomes more distorted, this will put even greater strain on the U.S.-Japan relationship. He summed up by saying that the U.S. places great importance on success in the Structural Impediments Initiative (SII) and the trade talks that begin next week. The President pronounced himself as "strongly encouraged by your views" on improving this aspect of the relationship. He added

that improvements in the structural relationship cannot be a one-way street and that in the battle over the U.S. budget deficit we hope to show a demonstrable improvement next year. (C)

Prime Minister Kaifu said that these problems, to the extent possible, must be resolved quietly. Super 301 has been presented unilaterally in terms of sanctions, a form to which the Japanese people are not accustomed. He stated that he had instructed his people to attend the talks and to work seriously on resolving the outstanding problems. (C)

The President volunteered that the U.S. and Japan work well together internationally on economic matters such as GATT, the environment and debt relief, and that we agree on the need for a successful conclusion to the Uruguay Round. (C)

Prime Minister Kaifu said that Japan was now struggling to become an import superpower, making all sorts of efforts to become so. However, he stated that the figures would not change overnight, but this should not be allowed to become a source of strain between us. He agreed that we need a successful Uruguay Round. He emphasized that the environment is important and that both Japan and the U.S. have had experience in dealing with this and that we should work together conducting studies and project jointly. (C)

The President interjected that there was good agreement at the G-7 on these matters and that he hoped this cooperation would continue. (C)

The President raised the question of U.S.-Soviet relations. He said that Japan was correct about the Northern Islands and that there will be no change in the constancy of U.S. support for Japan's position on this issue. (C)

The President changed the topic to East-West relations in Europe, stating that all of us have a great opportunity at this time of change. We are anxious to make progress on arms control, conventional force reduction and chemical warfare. However, the President emphasized that there would be no surprises for Japan: "There will be no grand agreement that in any way diminishes Japan's interests. There will be no trade-off of anything like the deployment of forces." (C)

Prime Minister Kaifu stated that the Soviet Union should not be confronted but should instead be more fully involved in global affairs. He stated his full agreement with the President's statement on relations with the Soviet Union. Regarding the

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Northern Territories, he expressed his gratitude for continuing U.S. support. "We will keep in contact with you as we face the USSR." (C)

(At this point the party broke for lunch and the President showed Prime Minister Kaifu the inside of his private office and escorted him to the horseshoe pit where both threw a few shoes, with the Prime Minister proud to have put one in the pit while the President's last shot was a ringer.)

LUNCHEON

The President raised the drug problem by inquiring whether drug use was a problem in Japan? (C)

Prime Minister Kaifu replied that stimulants rather than heroin were the major problem in Japan. (C)

The President described drugs as a modern plague that had led to great consternation here. He said he was encouraged by the courageous decision of the President of Colombia to confront the drug cartel. (C)

Prime Minister Kaifu said that Asian heroin is coming through Japan to the U.S. and that the two countries must cooperate to cut the distribution network. (C)

Secretary Baker raised the topic of Cambodia and stated that Japan and the U.S. must remain close together on this topic. He said it was especially important not to reward Phnom Penh with access to financial institutions unless and until Phnom Penh showed a real willingness to engage in power sharing. In addition, he stated that it was important to do what we can for Poland -- food, aid and the follow-up to the economic summit. After all, "Now we are talking about trying to support -- not a communist government trying to reform itself -- but a democratic government trying to survive." (C)

Prime Minister Kaifu replied that his foreign minister had briefed him on the less than completely successful Paris Conference on Cambodia. He asserted that Japan wants a comprehensive settlement rather than only an international solution and was using the same approach as the United States. (C)

Secretary Baker raised Panama and asked Japan to join the U.S. in not recognizing the Noriega government. The Foreign Minister said that he wanted to give this some thought. Secretary Baker

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[REDACTED] (b)(1)

Prime Minister Kaifu said that they would consult on the Panama issue [REDACTED] (b)(1)

(S)

The President spoke of the death of Colonel Higgins and the way in which the photograph had shocked the American people: "The picture of a U.S. Marine Colonel hanging from a rope while serving the cause of peace for the UN." He remarked that the perpetrators were so brutal that they remained unwilling to return the remains. He said he appreciated Japan's attempt to help. (U)

Secretary Cheney said that FSX was still working its way through Congress. He characterized the overall state of U.S.-Japan security relations as very good. (S)

Prime Minister Kaifu replied that in defense cooperation Japan would continue to make extraordinary efforts because "this is the most important aspect of our bilateral relationship." (S)

Secretary Brady praised the good cooperation with Japan, particularly at the G-7 meetings and on the Mexican debt situation. He said that the success of Mexican debt relief was in large part caused by Japan's efforts." A very important contribution has been made and we are grateful for it." He said that Japan's policy on Mexican debt relief would be noted very positively throughout Latin America. (S)

He stated that the Structural Impediment Initiative talks would begin the next Monday. He described this as a major U.S. initiative. It came at the same time as Super 301 and it remains important to demonstrate to Congress that matters such as these can be resolved without unilateral action. However, to convince Congress, he said, we would need some concrete results. (S)

Prime Minister Kaifu said that Japan was pleased to have Mexico as the first step in Japan's new debt strategy and would like to continue to cooperate in these matters with the U.S. as well as with the international financial institutions. (S)

U.S. Trade Representative Carla Hills underscored the Prime Minister's earlier positive mention of the importance of the Uruguay Round. She said it was important to make the vision of worldwide growth a reality. Much more needs to be done to bring

down trade barriers, to bring prosperity to all trading partners. There are only 16 months to go to implement the declaration of principles. She looked forward to progress and to her visit to Japan. (C)

Prime Minister Kaifu replied that the two countries were in very close touch on the Uruguay Round and would continue to be so. (C)

The President mentioned the Vice President's upcoming visit to Japan, Korea, and the Philippines. (U)

Prime Minister Kaifu said that Vice President Quayle's attendance of the IDU would lend strength to the LDP and that he looked forward to receiving him in his role as President of the LDP. Turning to the Vice President he said that the government of Japan also looks forward to the visit. (U)

The Vice President said it had been 10 years since he was last in Japan and that he looked forward to his visit to the space program and to the IDU conference. (U)

Prime Minister Kaifu said, "You are wholeheartedly welcome. Please feel free to convey any requests to the LDP or the GOJ." (U)

The President mentioned President Roh Tae Woo's October 17 visit and indicated that he was curious about Kaifu's views regarding North Korea. (C)

Prime Minister Kaifu replied that any problem arising in the Republic of Korea would immediately be reflected throughout Asia. He said he hoped the DPRK-ROK will not engage in a military confrontation but would engage instead in talks. (b)(1)

The President (b)(1)

(b)(1) They are way behind on reform and there is nothing on the horizon leading one to think that there would be a rapid improvement in U.S. relations with the North. (C)

Prime Minister Kaifu returned to Secretary Brady's comments regarding SII. He said, "I cannot promise that we will come up with results by next Spring. These issues will require more time to settle them in the long run. Short term problems should not obstruct the overall picture." He said Japan wishes to promote a global partnership on aid to developing countries and the global

environment. He recollected that he helped found Japan's volunteer corps. He said he was very sorry to hear about Congressman Leland's fatal crash, and as an example of global partnership with the U.S., he proposed a foundation to do research and to train people to work on issues of hunger in the developing areas. (C)

The President said Leland came from his hometown in Texas and that he has great respect for Congressman Leland's humanitarian concerns. (U)

He strongly endorsed Secretary Brady's comments on SII. "I know that we have differences but believe me it is terribly important that we make progress. There is a tidal wave in Congress. I am telling you, as a friend, we must find ways to agree on SII. We cannot brush our differences under the rug but we must preserve the relationship. There should be no arrogance on the U.S. side but these are problems that we must solve." (C)

Prime Minister Kaifu replied, "We have heard you and I have instructed my people to listen very carefully." (C)

Secretary Baker stated, "We won't be able to form a global partnership unless we have a strong bilateral relationship. The SII was a substitute for what Congress wanted to do immediately." He said that progress by late Spring is a necessity. In 1984-85 the trade imbalance created a similarly critical position but actions were taken. Now the trade imbalance has stopped declining and SII provides the way out. (C)

Prime Minister Kaifu said "I understand your concerns on SII and your desire for meaningful results because I understand it is a substitute for more unilateral 301 action. However, I remind you that structural changes are very difficult and I cannot promise progress by next Spring." He characterized next Spring as a very short time but stated that he had instructed his representatives to approach the talks in a very serious and sincere manner. "But, I cannot make promises." (C)

The President said that both countries must try hard, "as a two-way street." He said there were enormous and mounting pressures and that he did not wish to imply by his silence anything less than his complete agreement with what has just been said. (C)

Mr. Arima then explained that the Leland Foundation was a Japanese initiative with no obligations for the USG. Over the next few years the GOJ would contribute \$5 million as well as seeking training and research. The program has been set up in consultation with U.S. Aid for International Development. (C)

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The President closed by saying that this was a very thoughtful gesture.

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