

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Working Lunch with Japanese Prime Minister
Toshiki Kaifu

PARTICIPANTS: The President
James A. Baker, III, Secretary of State
Nicholas Brady, Secretary of the Treasury
Robert Mosbacher, Secretary of Commerce
John Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President
for National Security Affairs
Richard McCormack, Under Secretary of State
for Economic and Agricultural Affairs
David Mulford, Under Secretary of the
Treasury for International Affairs
Timothy Deal, Senior Director for
International Economic Affairs, NSC
(notetaker)
Frances Seeds (interpreter)

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Toshiki Kaifu, Prime Minister
Taro Nakayama, Minister of Foreign Affairs
Ryutaro Hashimoto, Minister of Finance
Kabua Muto, Minister of International Trade
and Industry
Ryohei Murata, Ambassador to the United
States
Tadamori Ooshima, Deputy Chief Cabinet
Secretary
Koji Watanabe, Vice Minister of Foreign
Affairs
Hisashi Owada, Deputy Foreign Minister
Koichiro Matsuura, Director General, North
American Affairs Bureau

DATE, TIME
AND PLACE: July 7, 1990, 12:15 p.m.-1:30 p.m.
Manor House, Houstonian Hotel, Houston

The President: First, welcome here. This was billed as a
working lunch. We've already had an opportunity to express our
pleasure at the outcome of the SII talks. In our private
meeting, we also touched on several items of bilateral interest.
(U)

We have no agreed agenda for the lunch. I am prepared to discuss
any subject of interest to you, although during the first course

I would like to say a word about the recent NATO meeting. And Secretary Baker will be able to give you some detail there. We can then cover the Soviet Union and other multilateral issues for the Houston Summit. (U)

What we hoped to accomplish at NATO was to convince Gorbachev and his hardliners that they should not look on the U.S. as a major threat. We also tried through the statement to convince the Soviets that a unified Germany in NATO does not threaten them. Without going into a lot of detail, I would like you to see why we view the NATO meeting as a success. (S)

Secretary Baker: Mr. President, we tried to accomplish our task by emphasizing the political components of NATO. In addition, we tried to show our desire to reach out to the East by adopting certain measures. We reaffirmed that we would not be the first to use force, that is, no first use. We called for a joint declaration between NATO and the Warsaw Pact of non-aggression and peaceful intentions. We issued an invitation to NATO to update the alliance and an invitation to the Warsaw Pact to establish diplomatic liaison offices to NATO. There was a call for military to military contacts. In addition to political matters, the declaration called for changes in consultations and nuclear strategy in the NATO alliance. These strategic changes depend on Soviet removal of troops from Eastern Europe. I won't go into a lot of detail, but there was also a call for dealing with force levels in Germany with follow-on talks. (S)

The only issue on the nuclear side was, as I told the Foreign Minister last night, about last resort. We embraced the strategy of flexible response for 40 years, which called for early use of nuclear weapons to offset the numerical superiority of the Warsaw Pact. With the deterioration of the Warsaw Pact and pulling back of Soviet forces from Eastern Europe, that overwhelming numerical superiority is no longer there. So this permitted the present adoption by NATO of the doctrine of last resort. (S)

The important thing to note is that this doctrine applies to Europe. Where the threat remains the same, e.g., on the Korean peninsula, there has been no change in U.S. nuclear doctrine. (S)

Mr. President, there are many other nuances that I won't go into now. I'd simply say that we have the possibility for a major transformation of the alliance provided the Soviets take the measures they say they could take. And, of course, I will try to answer any questions. (S)

Prime Minister Kaifu: Thank you for the explanation. I appreciate your commentary about bringing the NATO Summit to a successful conclusion. I have one question relating to Japan and that concerns naval disarmament, a major worry for the Japanese people. Arrangements between the U.S. and the USSR on naval matters could have an effect on cruise missile verification. (S)

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The President: I'll let Jim comment in greater detail. Iceland was interested in bringing in something about naval arms control into the discussions. For reasons that are well understood, we strongly resisted and have no intention in taking up this issue. The U.S. has wide responsibilities in the Pacific, for example. Our navy is prepared to help the peace. We have resisted naval arms control. While we are cutting back unilaterally, we retain the right to be a strong naval power. We did not want to see any change in our posture as a result of the NATO declaration. (S)

Secretary Baker: Regarding possible ceilings on cruise missiles, let me note that this was not a subject of discussion at the NATO Summit. We are negotiating bilaterally with USSR on these matters in the START talks. For a long time, the Soviet Union took the position that there must be legally binding limits on SLCMs. We successfully resisted it and are handling it in START by a political declaration on the level of SLCMs over the next few years. This would apply only to nuclear-armed cruise missiles; it would not apply to others because of the problem of verification. That declaration would only become effective if we reached agreement on other aspects of a START agreement. (S)

I forget to mention in summarizing the NATO declaration certain statements with respect to CSCE. The countries of Central and Eastern Europe and the USSR are anxious to be included in an all-European security structure. That would give something for Gorbachev to point out to his hardliners. We have made clear, however, at every stage that everything done at CSCE can only complement NATO. (S)

Prime Minister Kaifu: Thank you. Another question. What is your view of a unified Germany in NATO? (U)

The President: One of the results of the Summit should be to make it easier for Gorbachev to support the notion of a unified Germany in NATO. Some of the things that Jim has mentioned could convince Soviet hardliners that they have nothing to fear in NATO. Gorbachev has already accepted, enthusiastically, that U.S. forces in Europe are stabilizing; they are no threat to the Soviet side. We have made every effort to convince Gorbachev that it would be a mistake to singularize Germany, to set it apart. We hope that one of the results would be to make it easier for him to accept a unified Germany in NATO. (S)

The Prime Minister and I are in broad agreement on the idea of lending money to the Soviet Union, a very important question. Kohl will have to go ahead on his own for domestic reasons. We'll have to be indirect. These are things we can do, short of lending money, that show our interest in Soviet reform. (S)

We talked about China, and we are not far apart. We recognize that you will proceed with the third yen loan. (S)

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Prime Minister Kaifu: I had a good discussion with the President. Regarding the USSR, Japan supports perestroika. Soviet movement on reform and political pluralism is good for Europe and for the world. In the area of assistance, we have offered technical assistance in economic management, and we have encouraged exchanges. The idea of loans mentioned in Kohl's letter must be considered carefully. We must see if the Soviets use money to support economic reform. The Soviets spend a lot on the Soviet military and in assisting Cuba and Vietnam. The Northern Territories question is of particular importance. We must consider relations with the USSR in a comprehensive manner. Japan will extend assistance when appropriate, but Japan is not in a position to provide official loans to the USSR. (S)

Regarding China, what happened on June 4 last year was regrettable. We have taken every opportunity to express our sentiments to the Chinese leadership, trying to prevent against the isolation of China. At this juncture and looking back over the past year, the Chinese side has taken certain measures that indicate they are serious about moving in the direction of reform. They should be given credit. (S)

One issue of particular importance to Japan stems from the commitment of a former Japanese Prime Minister to a third yen loan to China. Such a loan could help to improve the welfare of the Chinese people. We would like to open up the loans gradually. I mentioned to George that our loans are untied and that we would gradually reopen assistance to China. (S)

Regarding the domestic situation in China, the continued strength of the conservatives shows that it is time to support the reformers. We should encourage them to take suitable measures. (S)

The President: We had a chance to discuss this earlier. We understand your position on bilateral matters, i.e., the third yen loan. I asked that we try to stay together on multilateral lending. With a carrot and stick we would encourage the Chinese to take additional measures. The press will try to drive a wedge between the U.S. and Japan on lending money to China. But there will be no criticism on the U.S. side of what Japan has determined it must do to honor its commitment. Some in our Congress may be critical as well. But I will assure the Prime Minister that there will be no criticism from the U.S. on the question. I will urge in our own broader discussions that we try to get together on multilateral lending issues. (S)

Secretary Baker: I have one question relating to assistance to the Soviet Union. Is your position tied only to the Northern Territories question or also the issue of economic reform and aid to totalitarian countries? (S)

Prime Minister Kaifu: The way we look at the USSR is as follows. First, we are trying technical assistance. I agree with you that we must see whether Soviet reform efforts are genuine or not.

Second, we take account of Soviet assistance to Cuba and Vietnam. We would like to see the Soviets withhold assistance to such countries. That's a great concern to us. Third, the Northern Territories are particularly important to Japan. All these aspects are important. (Ø)

The President: There's an additional point. If the Soviets see us helping other emerging democracies, e.g., Mexico, Panama, Eastern Europe, that would give an incentive to Gorbachev. That sends a message to the Soviet Union. You have been especially generous on this account. (Ø)

Minister Nakayama: I would like to point to our assistance to the Soviet Union in the medical field in the case of Chernobyl. We would like to help and have sent messages of our desire to do so. However, the Secretary General of the WHO reports that the Soviets are confused, that there is no clear central authority. That applies not only to the immediate area around Chernobyl, but also the USSR as a whole. We don't know what kind of effect this disaster will have on people. We have offered knowledge and technical assistance, but have received no response. (Ø)

The President: That's wonderful, a gesture that can't be misinterpreted. We have a smaller example from a recent event. We sent supplies to Iran after the earthquake. The airplane landed in Iran and people came out, asking where did the plane come from. The people on board said, "from America." The Iranians couldn't believe it; they brought gifts and coffee for the Americans. Human gestures do make a difference. (U)

Gorbachev knows his time is running out. Will the Soviets be flexible on the Northern Territories? I raised this matter with Gorbachev, but have no feeling whether the Soviets want to resolve it soon. (Ø)

Prime Minister Kaifu: We would like to resolve this issue. The editor of Pravda and a Deputy Prime Minister of the USSR visited Tokyo recently and brought a message stating that Gorbachev is optimistic about the question. I'd like to be optimistic too, but not yet. The position between the two countries has not narrowed yet. Shevardnadze comes to Japan in September, which will provide a further opportunity to explore the issue in depth. Then Gorbachev visits next January. (Ø)

I want to say how much I appreciate your support. The issue is not bilateral; it's the residue of Stalinist expansionism. (U)

The President: That's a good point. You're going to join us at the theater shortly. (U)

Mr. Owada: After this meeting there will be a press briefing. Regarding China, we should be careful. This is our suggestion. We should say that we have had useful discussions of this issue and that we agree to continue those discussions with the other heads at the Summit. (Ø)

The President: That says it all. Owada saves the day. (U)

-- End of Conversation --