

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Kiichi Miyazawa  
of Japan (U)

PARTICIPANTS: The President  
The Vice President  
James A. Baker, III, Secretary of State  
Nicholas F. Brady, Secretary of Treasury  
Brent Scowcroft, Assistant to the President  
for National Security Affairs  
Michael Armacost, Ambassador to Japan  
Robert Zoellick, Under Secretary of State for  
Economic and Agricultural Affairs and  
Counselor, Department of State  
Richard Solomon, Assistant Secretary of State  
for East Asian Affairs  
Karl Jackson, Assistant to the Vice President  
for National Security Affairs  
Douglas H. Paal, Special Assistant to the  
President and Senior Director for Asian  
Affairs, NSC  
Torkel Patterson, Director for Asian Affairs,  
NSC, Notetaker  
Francis Seeds, Interpreter

Kiichi Miyazawa, Prime Minister  
Nobuo Matsunaga, The Envoy of the Government  
of Japan  
Takakazu Kuriyama, Ambassador to the United  
States  
Motoji Kondo, Deputy Chief Cabinet Secretary  
Kunihiko Saito, Deputy Foreign Minister  
(Political Affairs)  
Koichiro Matsuura, Deputy Foreign Minister  
(Economic Affairs)  
Yukio Sato, Director General, North American  
Affairs Bureau, Ministry of Foreign Affairs  
Kazuo Takeuchi, Executive Assistant to the  
Prime Minister  
Hajime Hayashi, Interpreter for Mr. Kondo  
Daisuke Matsunaga, Interpreter for the Prime  
Minster  
Nobuaki Tanaka, Director of the First North  
American Affairs Division

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DATE, TIME July 1, 1992, 3:40 - 4:30pm EDT  
AND PLACE: Cabinet Room

~~CONFIDENTIAL~~

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Daisuke Matsunaga, Interpreter for the Prime Minister  
Nobuaki Tanaka, Director of the First North American Affairs Division

DATE, TIME AND PLACE: July 4, 1992, 3:40 - 4:30pm EDT  
Cabinet Room

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The President: I am very pleased that on the eve of such a busy schedule preparing for the G-7 meeting, you would come here to see me. This is a tiny opportunity for me to repay the fine hospitality I received in Japan. I still remember it as a good visit even though the press tried to savage it. We made very good progress and I hope that we will be able to review that while we're together. I want to give you all a full welcome. (U)

Prime Minister Miyazawa: Thank you very much, we appreciate your hospitality. (U)

The President: Let's talk about G-7 issues. This is very important for our side. One of the key issues for us in Munich will be supporting economic growth. It's important for us all. I'm pleased with the statement your party made on economic growth and I hope you'll be able to announce details of domestic growth package soon. That would be very good. The Prime Minister has explained to me some of the complications, but we would hope that you are serious about promoting growth. Our econometric model, however, seems to differ somewhat from yours. We show that six to seven trillion yen will produce about 2.9% growth, rather than 3.5%. I recognize that these models are sometimes not particularly accurate. As you are aware, a Japanese supplemental budget that promotes substantial growth, through strengthening domestic demand rather than exports, presents a positive message to the G-7 partners. I feel funny discussing financial issues with Prime Minister Miyazawa because he's such an expert. He and Jim Baker worked out something similar under the Plaza Accords. (✓)

I talked to Chancellor Kohl and President Mitterand about our negotiations over the Uruguay Round; they've been working hard to try to resolve our differences on agriculture before Munich. Kohl does not want discussion of the Uruguay Round to dominate Munich, but we are probing to see how far we can go. The President of France has invited the Secretary of State to come in before Munich to a ministerial to discuss GATT, but we're not sure we want to do that unless we know that we're going to make some progress. We'd like to get it moving. The Europeans weren't too flexible, but we think they have some more room. Frankly, I think that they have to move a little bit further. The Germans say the U.S. is closed, and that we are not supporting the Dunkel text. It may or may not be a good starting point but we need to give it a serious look. We will see whether or not the Europeans can move more; we are waiting to see if a "last gasp" effort will be effective. I strongly solicit the support of Japan. I want to be side-by-side with Japan to support us actively to bring remaining issues, including services and market access, to closure. (✓)

It is critical that we provide support and reform to the growing market economies, and that was something I talked about at length with Boris Yeltsin. We believe in that well know adage that "trade is better than aid." (✓)

I told you that I'd raise the Northern Territories with Boris Yeltsin and I did. I told him that we are strongly on the side of Japan on this issue. It is so much in the Russian interest. Brent, do you have anything more to add on this? (C)

Brent Scowcroft: Well, he described some of the problems he had at home and he talked about interim measures that he would be taking and the fact that he would have to bring something with him when he goes to Japan. The man is faced with enormous problems. His ability to move is somewhat limited. (C)

The President: We have some more things to talk about today, including nuclear safety, LDC debt, a little bit more about Yeltsin in Munich or, if you'd like, we can talk about North Korea and other regional issues. Let me give you a chance to speak, Mr. Prime Minister. (C)

Prime Minister Miyazawa: Thank you for this briefing on some of the problems we face together. First let me congratulate you on your leadership. Your economy is doing better, the trade balance is turning to the better. You've been good at resisting protectionist moves. You had a very successful meeting with Yeltsin, and your agreement on reduction of nuclear weapons is really great. Your leadership is important and we do appreciate America taking the leadership role in the post-cold war world. Our relations have never been better. I had a good meeting with the Vice President. We agreed to aid to Eastern Europe, including some to Poland. I also want to thank you for your help with Mr. Kanemaru. (C)

The President: He's a fine man. We had a good visit. (U)

Prime Minister Miyazawa: Concerning Yeltsin, we've been briefed by General Scowcroft on his meetings here. I have met with most of the G-7 leaders on the Northern Territories issue; some are sympathetic, others are not. I do appreciate you making the Northern Territories issue a priority. Before the Yeltsin visit I expect that we'll have a meeting of our foreign ministers in August or September. (C)

The President: Do you share the feeling that Yeltsin's visit to Japan in September can take place without any progress, or does he need to make progress? (C)

Prime Minister Miyazawa: Yeltsin initiated this meeting some time ago in New York, so he is coming with his own ideas. Subsequently, his situation has gotten difficult, but hopefully there will be some breakthrough. Up to now, and historically, the Russians have been stonewalling, so let's see. (C)

The President: We offer our offices, if we can be of help. (C)

Prime Minister Miyazawa: Thank you. Mentioning this does make a difference. (C)

On the economy, we took special measures to front-load our budget this year, and it's made no impact. If that should not prove

enough, which looks likely, it seems inevitable that we will have to take additional measures of substantial magnitude that will make the Japanese economy pick up later in the fall or hopefully at least by the end of the year. Hopefully this will put us on the path of sustainable growth. Secretary Baker and I did this in '87 with some success. We are trying to mobilize all of our resources. (✓)

The President: Do you have any resistance to this? I can't image that anyone would be opposed to it. (✓)

Prime Minister Miyazawa: Well, not in the political and economic circles, but in the bureaucracy, yes (laughter). My intention with this package is to use government bonds to develop sewage, parks, garbage disposal and improve the quality of life. In view of the fact that we export too much, while living in rabbit hutches, we are going to emphasize reducing working hours and increasing spending in science and technology and other areas for domestic growth. On the Uruguay Round, I'm hoping that the Secretary of State will be able to make a breakthrough, but we don't believe the outlook is rosy. But it would be wonderful if we could. Japan has one area that's a difficult issue, however. (✓)

The President: Let me guess (laughter). Any flexibility in that area? (✓)

Prime Minister Miyazawa: Well, no, but on market access Japan has been most forthcoming. On the other problem, we have the upper house elections. On the Russian problem, we heard from the Secretary General of the IMF that the Russian economy is worse than expected and that we need to wait until the IMF letter of intent with Yeltsin can be agreed. It's not likely that they can agree, but that's what we need to do. (✓)

The President: May I make a comment? We had a briefing from the IMF and the Russian economy is doing worse. Having said that, we have to be flexible enough to help Yeltsin. He is up against very powerful reactionary forces. The IMF feels constrained by its own guidelines. We would like to find something as soon as possible, something tangible to put in the hands of Yeltsin. He's made some tough decisions, but of course he needs to do more. Yeltsin has taken some difficult steps, we know that he's trying, but it would be a terrible setback to see him thrown out and the hardliners be put back in. Secretary Baker do you have anything to say to this? (✓)

Secretary Baker: Since my conversation with you earlier, we need to try to stretch to see if we can go along with IMF Managing Director Camdessus' suggestion that we provide \$1 billion for the first tranche, without tying him up in conditions. (✓)

Secretary Brady: It would be one thing if we started from scratch but Camdessus got out in front and put this package out publicly. If he hadn't, maybe we could get this completed without embarrassing Yeltsin; but since the IMF has gone ahead, its going to be very difficult, so we need to be in such a

position that we can do something. We are stuck. The only solution we're going to have is to provide him the \$1 billion that he needs to carry through. (C)

Prime Minister Miyazawa: We are not opposed to the \$1 billion for the first tranche. (C)

The President: Well symbolically it's important. I can't agree with the IMF to throw this out and two months later just cut him off. Yeltsin has a good message, he's trying to produce, he talks a good game and he's sincere, but his problems are enormous. We were very impressed when he came here. He's got an attractive young team around him. The Defense Minister backed him up big in the intercontinental ballistic missile discussions. His people are young, good people. They are serious. (C)

Prime Minister Miyazawa: You mentioned North Korea. The problems remain the same and we wonder to what extent we can expect much progress. An inspection by IAEA only is not adequate. There needs to be bilateral inspections also. We are suspicious of some of North Korea's preparations and we don't know very much about what they're doing. We need mutual inspections between the North and the South where the South can have more intrusive inspections. Our information is that the North is rather recalcitrant. We are still in the dark, especially about what's going on at Yongbyon; it's not clear. Japan has been negotiating with North Korea for normalization, but we will not finalize until we are certain that the nuclear issue has been resolved. I think your Under Secretary Kanter has been in touch with them and maybe he has more information. (C)

The President: We appreciate your efforts to hold the line. Dick Solomon, do you have anything to add on North Korea? (C)

Assistant Secretary Solomon: The strategy of the North is to split the South from the U.S., but we can't let them do that, and we won't let them do that. We agree that we need both inspections. The South has some incentives to keep the dialog going, but we are certain that they are going to hold firm. We're firm on the need for both inspections. In our own bilateral relations with the North, we have other issues besides the nuclear one, including proliferation, war remains and others, that we're going to have to take care of. But the fundamental issue that we have to keep in mind is that the North-South relationship has to be kept out in front. We are hoping too, that once the bilateral inspection is established it may lead to an arms control process. It's important to all of our security. (C)

Prime Minister Miyazawa: Well there seems to be some doves and hawks in Korea. (C)

The President: Where is Kim Il Sung's son? What do you think about him? (C)

Prime Minister Miyazawa: Well, the son is taking over from the father, but to what extent he will succeed is not clear. (C)

The President: Our profiles indicate that he is not dependable, he's rather erratic and obsessed with perpetuating the myth of being better than everyone. I don't see any reason to think that his succession should be reassuring. (S)

Prime Minister Miyazawa: We really don't have much knowledge of him. (S)

The President: Dick, you're our expert, do you have anything to add? (U)

Assistant Secretary Solomon: Well, he's a bizarre fellow. He has some rather strange tastes; he's only met with Chinese foreign leaders and we really don't know much about him. (S)

The President: Mr. Prime Minister, will you comment on Cambodia? (S)

Prime Minister Miyazawa: All factions agreed to the Paris Accord and the establishment of the Supreme National Council, but at the second stage of UN peacekeeping the Khmer Rouge refused to demobilize. We've since then had this conference in Tokyo. We had an all night session to work out some problems and to push hard for reconciliation, but it failed. It seemed to me that the Khmer Rouge representative didn't have enough instructions or authority to make decisions. Now they are supposed to meet with the Khmer Rouge, in Phnom Penh, but Prince Sihanouk is having a diplomatic illness. People are rather pessimistic about what's going on there which makes the activities of UNTAC difficult. Unless the Khmer Rouge does agree the whole operation of peacekeeping may come into doubt. (S)

Secretary Baker: This is an extremely big and enormous operation. Japan has been very generous, Mr. President. We need to press China and Taiwan to be firm with the Khmer Rouge. (S)

Prime Minister Miyazawa: Well, we found China to be rather cooperative but the Thai we're not sure of. They had a leader for a while who seemed to be rather helpful but he didn't win the election. (S)

The President: Well, it looks like we're running out of time here, I wonder if we shouldn't adjourn. Would you like to come into my office with me and then we'll go out and make our statements to the press. Thank you all very much. (U)

-- End of conversation --