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# Department of State

# TELEGRAM

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E.O. 12958 (as amended) SEC 3.3  
State Dept Guidelines  
By WJD NARA, Date 5/24/2010



E.O. 11652: XGDS  
TAGS: PFOR, ENRS  
SUBJECT: LETTER FROM SECRETARY TO FOREIGN MINISTER

1. PLEASE DELIVER THE FOLLOWING LETTER TO THE FOREIGN MINISTER NOT BEFORE 5:00 PM LOCAL TIME THURSDAY, NOVEMBER 14 IN EUROPE, AND AS EARLY AS POSSIBLE DURING THE BUSINESS DAY IN JAPAN, FRIDAY, NOVEMBER 15. THE SECRETARY'S SPEECH REFERRED TO IN THIS LETTER WILL BE DELIVERED THURSDAY, NOVEMBER 14 IN CHICAGO AT 9:25 PM LOCAL TIME. YOU SHOULD ASK THAT THE SECRETARY'S LETTER BE HELD IN STRICTEST CONFIDENCE UNTIL HE DELIVERS THE SPEECH.

2. DEAR MR. MINISTER: THE EFFECTS OF THE ENERGY CRISIS HAVE NOW BECOME MANIFEST -- IN MORE RAPID INFLATION, ARRESTED GROWTH, INCREASING STRAINS ON THE INTERNATIONAL FINANCIAL SYSTEM AND NARROWING OPPORTUNITIES FOR GOVERNMENTS TO CONTROL THEIR COUNTRIES' OWN POLITICAL AND ECONOMIC DESTINY. THIS RELENTLESS COURSE OF EVENTS LEADS NEW URGENCY TO OUR JOINT EFFORTS TO DESIGN AND CARRY OUT AN EFFECTIVE STRATEGY TO OVERCOME THE PROBLEMS EMANATING FROM THE ENERGY CRISIS.

3. THE USG BELIEVES THAT THE CONCLUSION IS INESCAPABLE THAT COOPERATION AMONG THE MAJOR OIL CONSUMING AREAS OF EUROPE, NORTH AMERICA AND JAPAN IS THE FUNDAMENTAL PREREQUISITE FOR AN EFFECTIVE PROGRAM OF ACTION. THE CRISIS

ITSELF DEFIES NATIONAL SOLUTIONS. BUT WORKING TOGETHER WE DO HAVE OPTIONS WHICH WE DO NOT HAVE SEPARATELY. WHEREAS NO COUNTRY ALONE, EXCEPT POSSIBLY THE UNITED

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STATES, CAN PROTECT ITSELF IN A SELECTIVE EMBARGO, TOGETHER WE CAN DO SO.



4. WE NOW NEED TO MOVE FURTHER IN THE COOPERATIVE ENDEAVORS BEGUN THIS YEAR AT THE WASHINGTON ENERGY CONFERENCE AND CARRIED FORWARD IN SUBSEQUENT OBLIBERATIONS. OUR WORK HAS NOW PROGRESSED TO THE STAGE WHERE WE SHOULD ADVANCE SOME OF THE PROPOSALS WE HAVE BEEN CONSIDERING AMONG THE FIVE TO THE BROADER GROUP OF COUNTRIES THAT WILL NEED TO ACT ON THEM. AS A PART OF THIS PROCESS, I INTEND TO PRESENT SOME U.S. PROPOSALS IN A SPEECH ON THE EVENING OF NOVEMBER 14 IN CHICAGO. I WANT TO SHARE WITH YOU SOME OF THE REASONING BEHIND THESE PROPOSALS, AS WELL AS THE NATURE OF THE PROPOSALS THEMSELVES, ALTHOUGH OUR GENERAL THOUGHTS ARE ALREADY FAMILIAR TO YOU.

5. ON THE IMPORTANT QUESTION OF OIL PRICE, THE PRODUCERS HAVE MADE IT CLEAR THAT POLITICAL PERSUASION OR NEGOTIATION IS NOT NOW GOING TO RESULT IN ANY NOTABLE PRICE DECREASE. THE ALTERNATIVE LEFT US IS, THEREFORE, THE DIFFICULT BUT WORKABLE ONE OF ACTION ON THE CONSUMER SIDE (1) TO CREATE THE OBJECTIVE CONDITIONS FOR AN EVENTUAL PRICE REDUCTION, AND (2) TO PROTECT THE VITALITY OF OUR ECONOMIES IN THE INTERIM PERIOD OF HIGH OIL PRICES. TO ACHIEVE THE FIRST OBJECTIVE CONSUMING COUNTRIES NEED MAJOR NEW EFFORTS BOTH TO REDUCE DEMAND FOR OIL THROUGH CONSERVATION AND TO DEVELOP NEW SOURCES OF ENERGY SUPPLY. IN THE PERIOD UNTIL THESE ACTIONS REACH FULL EFFECTIVENESS CONSUMING COUNTRIES, AS WE HAVE RECOGNIZED, NEED TO COMPLETE TWO SAFETY NETS, ONE TO DEAL WITH ANY NEW OIL SUPPLY EMERGENCY AND THE OTHER TO DEAL WITH ANY POTENTIAL INABILITY OF THE FINANCIAL SYSTEM TO RECYCLE THE HUGE FLOW OF OIL FUNDS.

6. ENERGY CONSERVATION OFFERS US THE MOST IMMEDIATE PROSPECT OF RELIEF FROM HIGH OIL PRICES. FOR POLITICAL AS WELL AS ECONOMIC REASONS EFFECTIVE CONSERVATION MUST BE A COLLECTIVE EFFORT. AT A MINIMUM WE SHOULD COLLABORATE OUR INDIVIDUAL COUNTRY PROGRAMS FOR 1975 TO MAKE SURE THAT WE ARE DOING ENOUGH. THE U.S. WILL PROPOSE THAT THE INDUSTRIALIZED COUNTRIES SET THE GOAL OF REDUCING THEIR CONSUMPTION FROM WHAT IT OTHERWISE WOULD HAVE BEEN BY THREE MILLION BARRELS PER DAY (150 MILLION TONS AT

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AN ANNUAL RATE) BY THE END OF 1975. THE UNITED STATES HAS ALREADY ANNOUNCED A PROGRAM TO REDUCE OUR CONSUMPTION OF IMPORTED OIL BY ONE MILLION BARRELS PER DAY IN

*- the two words do not mean the same thing! -*

1975. IN THE CONTEXT OF A COMMON GOAL OF CONSUMING COUNTRIES, THE UNITED STATES IS PREPARED TO ACHIEVE FURTHER SAVINGS.

7. IN DEALING WITH RECYCLING OF OIL FUNDS, WE NEED TO CONSIDER THREE BASIC OBJECTIVES: TO PROTECT THE INTEGRITY OF OUR FINANCIAL INSTITUTIONS, TO ENSURE THAT NO NATION FEELS FORCED TO PURSUE DISRUPTIVE POLICIES FOR LACK OF ADEQUATE FINANCE AND TO MAKE SURE NO CONSUMING COUNTRY IS COMPELLED TO ACCEPT FINANCING ON INTOLERABLE POLITICAL AND ECONOMIC TERMS. THE TASK FOR GOVERNMENTS IS TO PROVIDE A BACK-UP, INTERGOVERNMENTAL FACILITY THAT CAN AUGMENT PRIVATE RECYCLING WHENEVER NECESSARY. SUCH A SAFETY NET WOULD HELP ASSURE THE STABILITY OF THE ENTIRE SYSTEM AND THE CREDITWORTHINESS OF PARTICIPATING GOVERNMENTS.



8. WITH THESE CONSIDERATIONS IN MIND THE UNITED STATES IS PROPOSING THAT THE INDUSTRIALIZED COUNTRIES CREATE A COMMON LOAN AND GUARANTY FACILITY TO PROVIDE A MEANS FOR RECYCLING UP TO DOLS 25 BILLION IN 1975. GOVERNMENTS WOULD INDIVIDUALLY CHOOSE HOW TO MEET THEIR COMMITMENTS TO SUCH A FACILITY, BUT PRESUMABLY MOST WOULD CHOOSE TO DO SO BY BORROWING. CALLS ON GOVERNMENTS' COMMITMENTS TO PROVIDE FUNDS TO THE FACILITY WOULD BE MADE IN CONNECTION WITH SPECIFIC DECISIONS OF PARTICIPATING GOVERNMENTS ON SUPPORT TO COUNTRIES IN NEED OF FINANCING, AFTER FULL RESORT TO PRIVATE OPPORTUNITIES AND REASONABLE SELF-HELP MEASURES.

9. WE ARE ALREADY CONSIDERING NEW WAYS OF ASSISTING DEVELOPING COUNTRIES IN THEIR ACUTE FINANCIAL PROBLEMS. WE NEED TO CONSIDER NEW POSSIBILITIES OF PROVIDING HIGHLY CONCESSIONAL FINANCING TO THE DEVELOPING COUNTRIES MOST SERIOUSLY HURT BY THE CURRENT CRISIS. IN PARTICULAR, SPECIAL FINANCING OF THE IMF NEEDS TO BE PROVIDED ON TERMS MOST SUITABLE TO THESE COUNTRIES' NEEDS.

10. AS YOU KNOW, THE US HAS ALWAYS BEEN IN FAVOR OF A CONSTRUCTIVE DIALOGUE WITH OIL PRODUCING COUNTRIES. ✓

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CONSUMER COUNTRY COOPERATION IS NOT ANTAGONISTIC TO CONSUMER-PRODUCER COOPERATION, BUT AN ESSENTIAL PREPARATION FOR THIS BROADER DIALOGUE.

11. THE USG HOPES THAT CONSUMING COUNTRIES CAN MOVE PROMPTLY TO BROADEN OUR COOPERATIVE EFFORT. THE NEW INTERNATIONAL ENERGY AGENCY IS BEST PLACED TO DEVELOP A PROGRAM OF ACTION ON CONSERVATION, NEW SUPPLIES AND PREPARATION OF CONSUMER POSITIONS FOR THE EVENTUAL



CONSUMER-PRODUCER DIALOGUE. WE SUGGEST THAT THE GROUP OF 10 FINANCE MINISTERS DEVELOP A PROPOSAL FOR FINANCIAL COOPERATION LOOKING TO ENACTMENT WITHIN THE OECD FRAMEWORK.

12. THE ISSUES AND TASKS BEFORE US COMPRISE A PROGRAM OF CONSIDERABLE MAGNITUDE, REQUIRING DIFFICULT POLITICAL DECISIONS. BUT JUST AS THE TURMOIL OF THE IMMEDIATE POST-WAR PERIOD BECAME A MOMENT OF GREAT CREATION IN INTERNATIONAL COOPERATION, SO CAN THE ENERGY CRISIS OF TODAY BE ONE LEADING TO HISTORIC ACHIEVEMENT THROUGH COOPERATION. THE ECONOMIC FACTS OF TODAY ARE STARK, AS THEY WERE IN 1947-1948. THE STRUCTURE EMERGING FROM THAT CHALLENGE HAS SECURED OUR DEMOCRATIC INSTITUTIONS, ECONOMIC PROGRESS AND SECURITY FOR A GENERATION. THESE ACHIEVEMENTS ARE NOW THREATENED. BUT WITH THE SAME POLITICAL VISION, COURAGE, AND ABOVE ALL, COOPERATION THAT SUSTAINED US IN THE EARLIER YEARS, WE CAN MEET THE NEW ENERGY CHALLENGE.

13. I LOOK FORWARD TO WORKING WITH YOU ON THESE TASKS IN THE PERIOD IMMEDIATELY AHEAD, AND HOPE THAT WE CAN COUNT ON YOUR SUPPORT AND THAT OF YOUR GOVERNMENT FOR THE PROPOSALS WE HAVE MADE.

SIGNED HENRY A. KISSINGER.

14. FOR PARIS: FINAL SENTENCE OF LETTER SHOULD END WITH WORDS QUOTE IMMEDIATELY AHEAD UNQUOTE, ELIMINATING ALL THEREAFTER FROM QUOTE AND HOPE UNQUOTE THROUGH QUOTE WE HAVE MADE. UNQUOTE. KISSINGER

ED/IFD:PHW/EKER:CU  
11/18/74 EXT. 29496  
S: LSEAGLEBURGER

EUR:AHARTMAN  
EB:MR. ENDERS  
EA:HABIB  
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## Japanese International Economic Policies

Despite an increase in its oil import bill of about \$12 billion in 1974, Japan's trade balance improved so dramatically during the year that by the third quarter it had reached a \$6 billion annual rate trade surplus-- higher than the surplus recorded in 1973 before the oil prices went up.

This was a large and abrupt shift. Much of the improvement was no doubt the result of the impact of the strong anti-inflationary policy on the Japanese domestic economy, although the government last winter probably encouraged some depreciation of the exchange rate in relation to the dollar. The Japanese did not resort to new trade restrictions or other overt beggar-thy-neighbor policies to bring about this extraordinary improvement in their non-oil trade position. Nevertheless, a shift of this magnitude in the trade position of a country as important as Japan puts increased stress on other oil-importing nations.

Japan is a major force in the world economy. What it does greatly affects others.

In these circumstances, it would be desirable for the President to say to the Japanese that it is important that they not push their foreign trade abruptly into a significantly larger export surplus position.

If such a large Japanese surplus came about, the resulting impact on the adjustment needed by other nations already struggling with their large oil deficits could easily lead to resurgent demands for restrictions on trade with Japan. The effects of such restrictions would be extremely serious not only for Japan but for the entire fabric of international economic cooperation.

Cooperation in managing the problems of trade and payments balances is essential, and it is important to maintain a momentum toward further liberalization of trade.

Japan is in position to play a key role in bringing about successful multi-lateral trade negotiations. We strongly encourage an active, substantive Japanese role in preparing positive proposals for solutions to trade problems.



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[SUGGESTED PRESIDENTIAL COMMENT ON]  
JAPANESE INTERNATIONAL ECONOMIC POLICIES



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Treasury Department  
November 11, 1974







DEPARTMENT OF STATE

Washington, D.C. 20520

PRESIDENT FORD'S VISIT TO JAPAN

November 18 - 22, 1974

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E.O. 12958 (as amended) SEC 3.3

State Dept Guidelines

By MCO NARA, Date 5/24/2010

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THE SECRETARY OF STATE  
WASHINGTON

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MEMORANDUM FOR: THE PRESIDENT  
From: Henry A. Kissinger  
Subject: Your Visit To Japan



Setting

Your visit to Japan, the first in history by an incumbent American President, will be an event of major symbolic significance to the Japanese. The fact that it was the first foreign visit announced after you took office has received wide publicity in Japan and has served to underline the importance which we attach to our relationship with Japan. In addition to providing a forum for discussions of major global and regional issues, the visit will serve to dramatize to both the Japanese and American publics the mutual interdependence of our two countries. The joint communique will highlight the principles of US-Japan cooperation in a global setting. This document and the spirit of goodwill fostered through your public appearances will set the tone of US-Japan relations in the coming years.

Neither the current controversy over the nuclear weapons transit issue nor the shaky position of the Tanaka government should significantly detract from our basic objectives.

-- The emergence of the nuclear weapons issue has made it certain that there will be noisy but non-violent-demonstrations by minority parties and groups while you are in Japan. Nevertheless, you will still be warmly welcomed by an overwhelming majority of the Japanese people. However, the nuclear weapons issue will have to be addressed in some form during the visit. Both we and the GOJ hope to create an atmosphere in which a long-term solution to the problem will be possible.

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State Dept Guidelines  
By MAC NARA, Date 5/26/2010

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-- Prime Minister Tanaka's political future is uncertain. His position has been shaken by revelations of major financial improprieties; there is widespread speculation in Japan that he may be forced to resign shortly after your visit. Even if this should occur, however, I would not expect it to have a substantial impact on US interests because all plausible successors to Tanaka come from the mainstream of the Liberal Democratic Party, are committed to the party's basic policy of according primacy in its foreign policy to close ties with the US, and can be expected to abide by GOJ positions as stated to you by Tanaka.

#### Our Objectives

Your visit will aim broadly at strengthening the emotional and psychological underpinning of our friendly relations with Japan while continuing the process of reorienting our relationship away from a preoccupation with bilateral trade and security issues and toward harmonizing our approaches to multilateral issues affecting the industrialized and underdeveloped worlds. We wish to recognize clearly Japan's importance as a major power and to enlist Japan's active support on behalf of our regional and global policies, particularly the creation of a new international framework for dealing with pressing global economic problems.

#### Our Specific Aims are:

-- To affirm clearly our commitment to the US-Japan alliance not only as an instrument for contributing to Japan's security, but also as a basis for promoting detente in Asia and facilitating our cooperation on bilateral and multilateral issues of common concern.

-- To provide reassurances to the Japanese regarding the continuity of our policies in Asia.

-- To offer specific assurances of our dependability as a supplier of foodstuffs, raw materials and enriched uranium.

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-- To harmonize further our approaches to key multilateral issues and to secure Japanese support for our approaches for dealing with them.

-- To offset and defuse the nuclear transit issue to the extent possible as a focus of public criticism toward the US-Japan relationship.

-- To acknowledge Japan's unique contributions--both traditional and contemporary--to world culture.



### Style and Approach

For the Japanese, the style and feeling of a relationship are highly important elements of any negotiating situation. They prefer to establish harmonious personal relations before proceeding with serious bargaining. It is important for our long-term relationship that this first Presidential visit be relaxed and relatively low-keyed. While you should be firm and forthright in stating our views and desires to Japanese leaders, you should avoid leaving any public impression that we are putting pressure on Japan. You should not expect on-the-spot commitments from Tanaka. In Japan's consensus system, firm policy decisions can be made only after your discussions have been considered by the Cabinet and Tanaka's personal advisers. In discussing global issues, you should seek to convince the Japanese that we are taking their interests, vulnerabilities, and concerns fully into account in formulating our policies, and that we believe their immense economic power and impressive achievements impose responsibilities for helping to devise new international guidelines for managing new problems in the fields of energy, trade, food, and monetary stability.

### Their Objectives

The basic Japanese objective is fulfilled by your presence in Japan which will provide a public demonstration of our commitment

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to maintain close ties with Japan and support the GOJ's desire to dispel public concern that the US takes Japan lightly. Tanaka obviously hopes that your visit will help him bolster his flagging political fortunes. The GOJ shares our objectives of harmonizing our relations in a global perspective and can be expected to probe your thinking on a number of key subjects, including:

-- Long-range US policy and strategy in Asia and their implications for the US-Japan security relationship.

-- Your coming meeting with Brezhnev. and the prospects for further strategic arms limitations and US-Soviet relations.

-- Progress in and prospects for our mediation efforts in the Middle East.

-- Combating world-wide inflation without causing a severe recession.

### Principal Issues

#### 1. International Economy

We have no differences with Japan regarding the seriousness of current international economic problems. However, the Japanese perception of how best to deal with these problems is strongly colored by their sense of economic vulnerability stemming in large part from their extraordinary dependence on imports of energy supplies and materials and their strong tendency to accommodate to external problems rather than seeking to take initiatives to determine the framework for dealing with them. Through a clear exposition of our strategy and aims, we hope to further involve the Japanese in the efforts we have undertaken in concert with other advanced industrial democracies to enhance solidarity among oil consuming nations, liberalize world trading rules, reform international monetary arrangements and create new approaches to food and raw materials problems.

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## 2. Oil Price and Supply

The success of our efforts to improve the bargaining position of oil consuming countries vis-a-vis OPEC and to encourage some reduction in oil prices depends on Japanese cooperation. The Japanese played a constructive, if low-key role at the Washington energy conference last February, and we have continued to create a pattern of substantial interdependence with them in the energy field. At present we are seeking to follow-up on the establishment of the International Energy Agency and on the agreement to share oil supplies among its members in an emergency with additional consumer cooperative measures on oil conservation and coordinated financial measures to avoid further disruption of the international payments system. We outlined our ideas for further consumer solidarity measures on November 6 in Tokyo. Your discussions with Tanaka offer a further opportunity to underscore the importance we attach to them.

## 3. US Food and Raw Materials

The Japanese are uneasy about the extent of their dependence on us for the supply of essential commodities, particularly foodstuffs and enriched uranium, and will want your reassurances that we will remain a reliable supplier. We, in turn, want liberalized access to Japan's markets for agricultural products and processed foods and want the Japanese to avoid purchasing practices which put great pressures on price levels and create market instability here during periods of short supplies. In addition we will want to enlist Japanese support for the initiatives we launched this week in Rome for expanded global food production, increased concessional food aid and an international grain reserve system.



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4. Yakutsk Gas Project

Tanaka hopes to receive a definite response from you regarding the availability of US Ex-Im Bank credits for the exploratory phase of this proposed joint project. Due to Congressional opposition to energy loans to the USSR, and the uncertain state of our own energy development program, we should advise the Japanese that a decision on the proposed credits must await Congressional action on the Trade Bill and Ex-Im Bank renewal legislation. Our decision must also be consonant with our overall energy policy under Project Independence. You may indicate our lack of objection to Japan's going ahead with the exploratory phase pending our decision.

5. Fisheries

Our scientists believe that the Japanese have overfished North Pacific waters over our continental shelf and that Japan will have to cooperate with other nations in reducing the total catch if optimum yield is to be maintained. Japanese cooperation in solving this problem will also help prevent the passage of legislation in the US which would establish a 200 mile fishing zone off our shores. Your discussion of the seriousness and possible implications of this problem will set the stage for meaningful negotiations between our fisheries experts shortly after your visit. It is a delicate issue in Japan due to the importance of fish as a source of protein and strong recollections of the soybean episode last year. Consequently I would recommend that you handle this in a serious but low-key way and avoid giving it great prominence in your discussions with Tanaka.



6. Nuclear Non-Proliferation

Japan has been vocal in pressing for additional restraints on nuclear proliferation in the wake of the Indian test, stressing the need for further progress in nuclear arms control. As a major nuclear industrial state, Japan's participation is essential to the success of our efforts to strengthen restraints on proliferation and the physical security of nuclear

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materials through further concerted efforts by nuclear supplier nations. Japanese ratification of the NPT would help restore international confidence in the viability of the concept of nuclear non-proliferation.

The Japanese government has affirmed publicly its intent to secure ratification of the NPT during the next session of the Diet and is now seeking to develop a firm consensus within the governing party on the issue. While registering our interest in ratification I think we should avoid complicating the process with any heavy pressure, emphasizing rather our own plans to promote other multilateral efforts to arrest the spread of nuclear explosives capabilities.

#### 7. Transit of Nuclear Weapons

The GOJ feels compelled by domestic political pressure to raise this issue in some manner during the visit, though not necessarily on your level. We have a separate paper on how best to deal with this extremely sensitive matter in a manner which meets both Japan's needs and our own.

#### 8. Imperial Visit to the United States

There is a long-standing invitation from the previous Administration to the Emperor and Empress to visit the United States. Because of domestic Japanese political controversy over the "non-political" nature of the Emperor, he was unable to make this visit during the past year. The Japanese Government, at the behest of the Emperor himself, has expressed the desire that you formally renew this invitation on the occasion of your trip to Japan. During your meetings with the Emperor and later with the Prime Minister, you should extend again the invitation for an Imperial visit at a date to be decided later through diplomatic channels.

#### Points You Should Stress

-- That we remain firmly committed to our alliance with Japan and specifically the US-Japan Treaty

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of Mutual Cooperation and Security as an indispensable basis upon which to pursue detente in Asia and the world and as the framework for our cooperation on the full range of bilateral and multilateral issues.

-- That, while the past year has proven the extent of our interdependence, it has also demonstrated the necessity for stronger international institutions for dealing with the problems confronting the community of industrialized democracies. Although we have had some initial success in devising forums for dealing with our energy problems, we have not found adequate means of concerting our separate efforts to curb world-wide inflation.

-- That we remain committed to maximizing our production of agricultural commodities and to avoiding export controls on them. Even under the present voluntary reporting system, it is important to have Japanese cooperation in maintaining stable and orderly markets.

-- That you understand Japan's position in the wake of the oil price increases but hope that Japan, along with other nations, will avoid trade measures which might impact unfavorably on the US and other trading partners.

-- That the US is deeply concerned about nuclear proliferation. We are actively pursuing negotiations with the Soviets on strategic arms limitations. The Nuclear Non-proliferation Treaty is important to our diplomacy, and we are glad to note Japan's announced intention to ratify the Treaty. We want to work cooperatively with Japan and other nuclear supplier nations to strengthen safeguards and improve physical security measures.

-- That your meeting with Brezhnev and my visit to the PRC will entail no major surprises for Japan. We will keep the Japanese well informed of the results of those meetings and hope to continue our close consultations on general developments in relations with those two countries.

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-- That we intend to continue our active efforts to build a climate of peace in the Middle East.



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5. Fisheries

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By WJG NARA, Date 5/26/2010



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-- That you understand Japan's position in the wake of the oil price increases but hope that Japan, along with other nations, will avoid trade measures which might impact unfavorably on the US and other trading partners.

-- That the US is deeply concerned about nuclear proliferation. We are actively pursuing negotiations with the Soviets on strategic arms limitations. The Nuclear Non-proliferation Treaty is important to our diplomacy, and we are glad to note Japan's announced intention to ratify the Treaty. We want to work cooperatively with Japan and other nuclear supplier nations to strengthen safeguards and improve physical security measures.

-- That your meeting with Brezhnev and my visit to the PRC will entail no major surprises for Japan. We will keep the Japanese well informed of the results of those meetings and hope to continue our close consultations on general developments in relations with those two countries.

-- That we intend to continue our active efforts to build a climate of peace in the Middle East.



## NATIONAL SECURITY COUNCIL

~~SECRET/SENSITIVE~~ACTION

November 10, 1974

MEMORANDUM FOR: SECRETARY KISSINGER

FROM: ROBERT HORMATS *RH*  
JOHN A. FROEBE, JR. *JAF*

SUBJECT: Suggested Talking Points for the President's Meeting with Prime Minister Tanaka during his Japan Visit

At Tab I is a draft memorandum from you to the President containing suggested talking points for the President's discussions with Prime Minister Tanaka during his coming visit to Japan.

RECOMMENDATION:

That you sign the draft memorandum to the President at Tab I.



DECLASSIFIED

E.O. 12958 (as amended) SEC 3.3

NSC Memo, 3/30/06, State Dept. Guidelines

By *MHC* NARA, Date 5/24/2010~~SECRET/SENSITIVE~~

THE WHITE HOUSE  
WASHINGTON

DECLASSIFIED  
E.O. 13526 (as amended) SEC 3.3

MR # 12-024, # 23

OSD 44 8/17/12; NSC - State guidelines

By dal NARA, Date 10/23/12

~~SECRET~~/SENSITIVE (XGDS) (3)

MEETING WITH JAPANESE  
PRIME MINISTER KAKUEI TANAKA

Tuesday, November 19, 1974

11:00 a.m. (2 hours)

Wednesday, November 20, 1974

10:00 a.m. (90 minutes)

Akasaka Palace

From: Henry A. Kissinger

I. PURPOSE

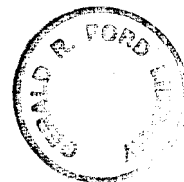
- To leave no doubt in the Japanese mind that you attach the highest possible importance to our alliance, and to reassure them of continuity in basic U. S. foreign policy.
- To recognize Japan's emergence as a major world power, but to stress its new responsibilities -- both economic and political -- and our hope that we can work closely together to solve major world problems.
- To underscore the importance we attach to Japanese support for and participation in efforts to achieve solidarity among oil consuming countries, and to work with us to resolve major world food problems.
- To assure Japan that the U. S. will be a dependable ally, but to express our conviction that this must be mutual.
- To recognize Japan's unique culture -- both traditional and contemporary -- and its contributions to world culture.

II. BACKGROUND, PARTICIPANTS & PRESS ARRANGEMENTS

A. Background: The basic situation in our relationship with Japan contains elements that will help us achieve the above objectives and elements that will hinder us in that effort.

- The fundamental U. S. -Japan alliance relationship is sound. We continue bound together in this alliance by

~~SECRET~~/SENSITIVE (XGDS) (3)



strong national interests -- which are complementary as well as they are common. They are complementary: We want to tie Japan inextricably into the evolving international order and to obviate the need for Japan's rearming in earnest. Japan wants to hold onto our defense guarantee against an ultimate threat to its security and to avail itself in its diplomacy of the international leverage which the alliance provides. Our interests are common: we both want peace and stability in Asia and the world, we both continue to face a challenge from the Soviets and the PRC, we both seek solutions to the urgent multilateral problems we are up against, we have deep and almost vital bilateral economic ties with each other, and we both work through similar political and economic systems.

--We have succeeded in the past two years in bringing formerly contentious bilateral security, trade, and diplomatic problems under control. Our problem now is to keep the inevitable frictions generated by these on-going bilateral problems well within manageable bounds. One such immediate problem is the public controversy in Japan on U. S. nuclear weapons transit. One means of containing these frictions, particularly on U. S. -Japan bilateral economic problems, is to treat them in a multilateral context whenever possible.

--Japan has some persisting doubts about our dependability as an alliance partner. These first surfaced seriously with the China and economic policy shocks of mid-1971, but they have been kept alive by new questions raised as to our reliability as a supplier of agricultural exports and uranium enrichment services -- and indeed persisting questions about long-term basic U. S. foreign policy intentions generally.

--We have doubts about Japan's ability and willingness to conceive of its national interests more broadly, and to work into global roles on economic and political problems that would be more commensurate with its position as the world's third ranking economic power. Our concerns result from the policy positions that Japan has frequently taken and the roles that it has frequently played on such leading multilateral issues such as oil, trade and monetary reform, and foreign economic assistance. Japan



still has a strong tendency to formulate its national interests more narrowly, which may be vestiges of its post-war single-minded pursuit of economic recovery and expansion. Japan's hesitation to play a more active role may be explained in part by its vulnerabilities resulting from its heavy dependence on overseas raw materials sources and markets, and partly by its continued preference for a low-risk policy -- as a result of which Japan continues to look to our lead diplomatically. Nonetheless, we believe we must enlist Japan's cooperation in dealing with global problems such as oil and food.

--Japan has cautiously begun thinking about more distinctively Japanese approaches in some areas of its foreign policy. Its groping in this direction is probably due partly to its emergence as a major world power (and we have encouraged this), partly because of doubts about our dependability, and partly as an effort to protect its own short-run national interests more effectively (as during last fall's oil crisis). This presents U.S. policy with something of a dilemma -- how to encourage Japan to work toward more active roles globally -- which almost inevitably will mean divergence from us at points -- while keeping these divergences within tolerable bounds and avoiding Japanese roles that would alarm its Asian neighbors.

--The grip that the Liberal Democratic Party has had on the Japanese politics for the last two decades is weakening. The Party's mainstream has been the sheet anchor of our alliance in Japanese domestic politics. The erosion is slow and it presents no serious threat to our interests in the years immediately ahead. Should Tanaka resign in the near future -- and it is now predicted that he may do so within a month or two after your visit -- he would in all probability be replaced by another leader from the Party's mainstream, thus leaving the Japanese base of our alliance essentially unaffected.

- B. Participants. Your two head-to-head talks with Prime Minister Tanaka will also include myself plus Foreign Minister Kimura and possibly Ambassador Yasukawa. If Yasukawa is included,



then Ambassador Hodgson will also sit it. This detail remains to be resolved with the Japanese. I plan also to hold separate but parallel talks with Foreign Minister Kimura.

- C. Press Arrangements. The press arrangements are still being worked out with the Japanese.

### III. TALKING POINTS

- A. Reaffirmation of the Alliance. You will want to leave no doubt in the Japanese mind that we attach the highest possible importance to the alliance, and that you are personally committed to it.
- I want to assure you that the U.S. attaches nothing but the highest possible importance to our alliance with Japan.
  - In our view, the alliance is just as important to building on what measure of detent we have already achieved, as it was to making this start possible in the first place.
- B. Continuity of U.S. Policies Globally. Given Japan's basic dependence on us for its ultimate security and its still strong inclination to follow our lead diplomatically, Prime Minister Tanaka will be keenly interested in your views on principal world issues.
1. Detent with the Soviets. You will want to reassure Tanaka that we intend to pursue detente with the USSR in a way that will contribute to global stability. We are aware in our negotiations with the Soviets of a need for balanced concessions, and we will not compromise the vital interests of our allies or other third countries. (See Tab A.)
- During Secretary Kissinger's visit to Moscow last month, both sides made progress toward a SALT negotiating framework that should help achieve an agreement on strategic arms limitations that will extend until 1985.
  - My visit to Vladivostok will not focus on any particular issue. Rather, I hope to establish a personal relationship with Soviet leaders and to review where we stand in our relationship at present.
  - We are hopeful that, as regards the Middle East situation, the Soviets will continue to show restraint and will permit the step-by-step progress essential to an overall settlement of the Arab-Israeli conflict.

-- We look for improvement in our bilateral economic relations with the Soviet Union, particularly if our Congress passes the Administration's Trade Bill in the near future, as we anticipate. As regards the question of U.S. grain sales, we are moving on two fronts in an effort to avoid disruption of our domestic and world markets and to prevent hardships to our customers. Domestically, I have acted to provide government supervision for our grain sales. Externally, we have made clear to the Soviets the importance of advance information on their requirements and of the need for them to regulate their purchases.

-- In general, we are trying to convince the Soviets that they have a basic national interest in cooperating to solve the problems of international monetary reform, food, and energy.

2. Normalization of Relations with the PRC. We have since 1971 consulted closely with Japan on both of our countries' normalization of relations with the PRC. The outcome has been quite satisfactory: we have both achieved step-by-step progress in this direction, avoiding a competitive race to Peking that could only hurt both of us. Tanaka will be interested in whether any new major progress toward normalization of U.S.-PRC relations can be expected from my upcoming visit to Peking. (See Tab A.)

-- As you know, Secretary Kissinger's coming Peking visit is another of the annual high-level U.S.-PRC exchanges contemplated in the Shanghai Communique.

-- We expect no drastic change in U.S.-PRC relations in the future. As Secretary Kissinger told Foreign Minister Kimura in late September, we see our political relations with the PRC as being "exactly the appropriate relationship" for now. If we anticipate any sharp departures, we will inform you in advance.

-- Any complete normalization of relations would require a resolution of basic problems such as the U.S. defense commitment to Taiwan. We intend to move very cautiously on that problem.

-- The kind of progress we look for in the near future is the further development of trade relations and cultural exchanges with the PRC.



- We are careful to insure that the Chinese understand that our relationship with the Soviet Union is not directed against Peking.
- On the Korean issue, the PRC so far has not been willing to compromise on the U.N. Command issue now before the current session of the U.N. General Assembly. Publicly, however, the PRC continues to distinguish between U.S. forces in Korea and those under the U.N. flag.

3. U.S. -Japan-Western European Trilateral Relationship. You will want to reassure Prime Minister Tanaka that we continue deeply interested in the evolution of a more effective relationship between Japan, Western Europe and ourselves. This is essential if we are to cope with the problems common to the industrialized democracies. Japan now considers this area its most important as regards its evolving world role. Still, as on most other issues, Japan looks toward U.S. lead, and wants to be assured that we will support its being on equal footing with Western Europe and ourselves.

- I strongly agree that it is essential for us to work toward a more effective relationship between Japan, Western Europe, and the U.S., in order to cope with the urgent problems confronting the industrialized democracies.
- We believe that Japan must be a fully active partner in this triregional relationship if these problems are to be resolved.
- The U.S. intends to support Japan as an equal partner in this enterprise, and we look forward to Japan's increasingly active, constructive role on such immediate issues as consumer cooperation on petroleum and on international monetary reform.

C. Multilateral Issues

1. U.S. -Japan Energy Cooperation. (See Tab B.)

a. Oil

Japan's heavy dependence on imported energy (88% of energy is imported) accentuates its historical feelings of isolation and insecurity. While Japan recognizes the importance of consumer country cooperation, its vulnerabilities

make it reluctant to take positions which appear to confront producers. Our objective is to underscore the importance we attach to Japanese support for and cooperation in efforts to increase consumer solitarity and to demonstrate an understanding of Japan's need to diversify energy sources.

- We realize that Japan relies heavily on imported energy, places a high premium on assurance of continued petroleum supplies, and has suffered serious disruption as the result of higher oil prices.
- We genuinely appreciate Japan's constructive cooperation in the Energy Coordinating Group, and believe that its decision to join the International Energy Program is an essential step toward reducing its vulnerability to an interruption of oil supplies.
- The major consuming nations now need to move rapidly to establish effective programs in such areas as conservation and financial solidarity.
- On conservation, we do not envision a rigid burden-sharing exercise but concerted efforts by each nation to do what is necessary to reduce imports. This helps reduce the transfer of financial (and with it political and military) power to oil producing countries, reduces the build up debt to oil producers, and reduces vulnerability to future oil cutoffs.
- On financial solidarity, we believe that arrangements are needed so that consuming countries could provide economic support to individual countries to avoid internationally disruptive unilateral action. Our proposal is that countries agree to undertake loan commitments which a common fund could call on when loan assistance was needed, and approved, for a particular country.
- With respect to a consumer/producer dialogue, since the Washington Energy Conference we have operated under the assumption that a meeting with producers would be useful only after consumer cooperation had strengthened to the point that such a dialogue could achieve results in the common interest of consuming nations. Progress has been made through the ECG and IEP, but we believe more needs to be done before such a dialogue can achieve positive results.



b. Yakutsk Natural Gas Project

- We understand Japan's desire for US participation in the Yakutsk natural gas project. We are, in principle, favorably disposed toward participating in the exploratory phase. A final decision on Ex-Im credits, however, can be made only after we see the outcome of Ex-Im Bank legislation now in Congress and have examined the recently submitted blueprint for Operation Independence.
- I hope we will have an answer for you in December. In the interim, we have no objection if you move ahead or if US firms wish to participate with Japanese firms. We would provide political support for participating American firms if problems arose which warranted this.

c. Uranium Enrichment Services for Japan

- We are determined and able to continue as Japan's primary partner in the development of its nuclear power capabilities. We intend to meet the contractual obligations with Japan for uranium enrichment, and to meet future requests for enrichment services through the construction of new capacity.
- The US supports the establishment of a joint US-Japan enrichment venture in the US. We strongly encourage Japanese financial participation. Under suitable arrangements, we are prepared to share our gaseous diffusion and centrifuge enrichment technology with Japan for the construction of an enrichment plant in Japan or elsewhere.

2. Trade and Monetary Issues The Japanese trade balance is recovering quickly from the shock of higher oil prices. We want to ensure that Japan does not improve its trade balance at the expense of the US and others; and we want to emphasize our desire to cooperate with Japan in coming multi-lateral trade negotiations. (See Tab C.)

- It is essential that countries cooperate in meeting their balance of payments problems and refrain from actions which will exacerbate the deficits of their trade balances. We have heard disturbing reports that Japan is attempting to realize a very large trade surplus in the future. This is bound to adversely affect our trade balance and that of others. It will raise fears of the recurrence of the major imbalances of past years. We both have an interest in avoiding this unpleasant situation, and we should both watch

it closely. It might be useful if the sub-cabinet level economic meeting planned for January could carefully review this situation.

-- We are confident that the Trade Reform Act will be enacted this year. Once we have our mandate, we want to proceed promptly with actual bargaining. Establishing momentum will help to avert unilateral or bilateral actions which could disrupt the world trade system. Japan has played a constructive role in developing international support for these negotiations and we look forward to cooperation in the many areas where our interests coincide.

3. Food. Japan is the largest market for US agricultural exports and, as in the case of oil, extremely vulnerable to supply disruptions. In this period of shortage it is extremely important that major producing and consuming countries equally share the burden of adjustment and that--while we give assurances of our intention to continue providing adequate supplies--Japan avoid disruptive actions--such as over-fishing in the northeast Pacific and excessive limits on US beef imports--and cooperate in negotiating our WFC proposals. (See Tab D.)

-- We have a common interest in an improved world food situation. We hope that Japan is prepared to work with us to establish a system of world food reserves involving equitable distributions of food stocks among major trading countries. Combined with increased agricultural production and increased food aid, this can help assure future adequacy of world food availabilities.

-- We value Japan as our most important agricultural export market. The US fully intends to remain a reliable supplier of food to Japan. This will, of course, require continuation of the close cooperation and consultation which have helped enable us to meet Japan's essential food import requirements during recent periods of shortage. It is particularly important that Japan continue to refrain from speculative purchases and to provide us with information on its commodity availabilities and requirements.

-- We are confident that Japan recognizes that dependability of markets is important to the US, much as dependability of supply is to Japan. We deeply appreciate the efforts of Japan, and you personally, to reduce import barriers in recent years. We are concerned, however, that certain



Japanese restrictions limit the market for various US products. We especially hope that Japan will resume the importation of reasonable amounts of beef from the US and other normal suppliers. We recognize the sensitivity of this issue in Japan; but, barriers to beef imports force American cattlemen to bear a disproportionate share of the burden of low beef prices and high feed prices.

-- With regard to the question of over-fishing in the northeast Pacific, our scientists are firmly convinced that significant (roughly 30 percent) reductions by all countries involved will be required to ensure an optimum sustainable yield from this valuable source of protein. Our experts and yours are now negotiating this issue. The Congress threatens to enact a unilateral 200 mile jurisdiction over coastal fishing. I urge you to urge your negotiators to work with ours to find a solution.

4. Asian Regional Problems -- Korea and Indochina. Although we are working with Japan on a wide range of issues in Asia, both of us are particularly interested in the situations in Korea and Indochina. Japan has a heavy stake in the stability of the Korean Peninsula. Since the Korean War, Japan has strongly supported South Korea economically and politically. Diplomatic relations with Seoul have taken a turn for the worse in the past year, however, as a result of the August 1973 abduction of the Korean opposition leaders, Kim Tae-Chung, from Tokyo, and last August's murder of President Park's wife by a Korean resident of Japan during an assassination attempt on Park himself. In the context of detente, Japan is also cautiously expanding trade and cultural contacts with North Korea. (See Tab E.)

As regards Indochina, Japan has given active political support and economic assistance to South Vietnam and Cambodia and now to the new coalition government of Laos. Japan has taken a lead in this year's U.N. General Assembly fight to preserve the present Cambodian Government's seat there. Japan has recognized North Vietnam, but is proceeding carefully in expanding its relations with economic assistance to North Vietnam.

a. Korea

-- The U. S. attaches great importance to Japan's continued strong support of South Korea. We appreciate your

restraint during the recent diplomatic crisis with Seoul over the assassination attempt against President Park.

-- (If raised) I understand the effects produced in Japan by the Park Government's tightened authoritarian controls. There has been a similar reaction in the U. S. We have made our views known privately to the Park Government, but we regard this primarily as a matter for the people of South Korea to resolve themselves.

-- I appreciate your caution in expanding trade and cultural relations with North Korea. I believe it essential, given the continuing militancy of North Korea, to take fully into account the effect that expanded relations with North Korea could have on the stability of the Peninsula.

b. Indochina.

-- The U. S. firmly intends to maintain the level of our assistance in Indochina, and particularly that to South Vietnam and Cambodia.

-- We appreciate the strong assistance, both economically and diplomatically, that Japan is giving. This is especially true of Japan's current efforts in behalf of the Cambodian Government's seat in the U. N. General Assembly. We also hope that Japan will be able to increase its aid and investment in these countries.

-- We are encouraged by the outcome of the recent Indochina Aid Donors Conference, and appreciate the briefly constructive role you played there.

-- We share Japan's hopes for meaningful talks between the several parties in Cambodia. We have discussed our views with both Peking and Moscow. However, until the Khmer U. N. credentials question has been successfully resolved, we do not expect much movement toward these talks.

-- We appreciate Japan's cautious approach to expanded relations with North Vietnam.



5. Nonproliferation. You should reaffirm the U. S. interest in strengthening multilateral constraints against the proliferation of nuclear weapons. Japan has been concerned that we did not react more strongly to India's nuclear explosion, and that we offered nuclear power plants and fuel to Egypt and Israel. Japan's participation in non-proliferation efforts is essential to an effective strategy in this area. It is thus in our interest that Japan proceed next year, as the Tanaka Government recently indicated it would, with ratification of the Nonproliferation Treaty (which it signed in 1970), and that Japan cooperate with us in strengthening restraints on the further proliferation of nuclear weapons.

- We welcomed your Government's statement that you intend to seek ratification of the Nonproliferation Treaty at your coming Diet session. This will do much to help restore confidence in the nonproliferation system.
- We look forward to Japan's cooperation in improving restraints against the proliferation of nuclear weapons through measures such as strengthened coordinated nuclear export policies on the part of key supplier states and the development of improved physical security standards for nuclear facilities and material.
- Let me reassure you unequivocally, in this context, that the U. S. intends to fulfill its commitments under the U. S. -Japan mutual security treaty.

D. Bilateral Issues

1. U. S. -Japan Security Relations. You will want to express appreciation to Prime Minister Tanaka for his government's continued cooperation on our military basing problems in Japan. Our bases in Japan are essential to our strategy in Asia, as well as to our defense commitment to Japan. We currently have about 55,000 forces in Japan (including about 23,000 on Okinawa). We are reducing the land we occupy, and particularly that in or nearby crowded urban areas, through an on-going base consolidation program.

- I want to leave no doubt in your mind as to the vital importance we attach to the continuation of our military

bases in Japan. These are indispensable to our strategy in Asia, and thus we believe to stability in the region.

- I want to convey to you my deepest appreciation for the cooperation you and your Government have extended to us on the base problem. I understand the domestic political problems these bases can sometimes cause you, and we want to do our utmost to help alleviate these frictions wherever possible.
  
- The U. S. Government intends to continue its cooperative effort with your Government to consolidate our bases and facilities in Japan wherever these are not necessary to our essential military needs. We always welcome your Government's suggestions in this regard.

**Attachments:**

- Tab A - Tokyo's Relations with Moscow and Peking
- Tab B - US-Japan Energy Cooperation
- Tab C- Trade and Monetary Issues
- Tab D- Food
- Tab E- Asian Regional Problems - Korea and Indochina



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TOKYO'S RELATIONS WITH MOSCOW AND PEKING

Tokyo and Peking

When diplomatic relations were re-established two years ago, the two governments agreed to conclude aviation, trade, shipping, and fisheries agreements and -- as a capstone of the normalization process -- a formal peace treaty. But no progress was made in the year that followed; both sides engaged in a lengthy feeling-out process before beginning serious bargaining.

During the past year, however, the normalization process has moved steadily ahead.

- Trade and civil air pacts have been signed and negotiation of a shipping treaty is now in its final stages.
- A fisheries agreement has been complicated by China's advocacy of a 200-mile economic zone, and may be postponed for some time.
- Informal discussion of a peace treaty is now underway. When it will be signed is not yet certain, but the overall direction is clear.



Bilateral trade is increasing steadily and the future appears promising. The Chinese seem eager to make larger amounts of oil available for export to Japan. Indeed, by early 1980's China may be able to export as much as 50 million tons a year -- enough to meet 15 percent of Tokyo's needs and to provide Peking annually with several billion dollars of badly-needed foreign exchange. The civil air pact, meanwhile, will not only increase the frequency and variety of contacts between Japan and China, but will also make Tokyo an important bridge to Peking for third countries.

Despite these positive signs, there are significant limitations on the growth of Sino-Japanese relations:

- Tokyo has acceded to most of Peking's demands regarding its political links with Taiwan but still has important commercial interests on the island. Further demands by Peking on the Taiwan issue could easily generate new Sino-Japanese frictions.

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NSC Memo, 3/30/06, State Dept. Guidelines  
By MAC NARA, Date 5/24/2010

- Tokyo is concerned that it not venture too far into a relationship with Peking at Moscow's expense.
- Finally, strong differences in political attitudes and the continuing concern of each over the long-term objectives of the other ensure a degree of mutual wariness in their relationship.

Japan remains highly sensitive to the U. S. progress in normalizing relations with the PRC. This is particularly true as regards any changes the U. S. might contemplate in its relations with Taiwan, especially as regards the U. S. defense commitment to Taiwan and U. S. diplomatic relations with Taiwan. Secretary Kissinger assured Foreign Minister Kimura in late September that on the political level the U. S. has "exactly the appropriate relationship" with the PRC, and at present has no plans to change it.

#### Tokyo and Moscow

Soviet-Japanese relations have also recently moved forward somewhat as a consequence of Sino-Japanese rapprochement and a Soviet desire to limit this development. The Japanese may hope that normalizing their relations with Peking will force Moscow to be more forthright in dealing with them. Meanwhile, despite increased high level contacts between the two governments and intensive discussion of pending issues, improvements in the relationship have been limited to the economic sphere -- where both sides see real benefits.

The major stumbling block to better political relations is the Northern Territories, a small group of islands north of Japan seized by the Soviets in the closing days of World War II. Although the two countries established diplomatic relations 18 years ago, they have been unable to resolve this territorial dispute and little progress is likely in the near term.

- This issue has become a matter of face for the Japanese, and they will not sign a peace treaty until it is resolved.
- The Soviets, however, are sensitive to the impact reversion of the islands would have on other Soviet territorial disputes -- especially along the Sino-Soviet border.

The U. S. fully supports the Japanese position on the Northern Territories, and has consistently made this clear to the Soviet Union.



Tokyo has agreed to separate its political problems with Moscow from its economic dealings in order to satisfy its own needs for raw materials and to balance somewhat its improvement of broader ties with Peking. Although Japan's guarded approach to large investment in Soviet projects has been reinforced by expectations of large oil imports from China, Japan's economic involvement in Siberia will grow over the coming years, enabling Tokyo to maintain a roughly equal volume of trade with Moscow and Peking.

#### General Limitations

Despite progress in relations with both communist powers, Tokyo remains tightly tied to the West politically, economically, and militarily, and this will not change much in the foreseeable future.

- Tokyo's trade with Moscow and Peking combined now comprises less than 5 percent of its total trade. This share may increase slightly, but will certainly remain less than 10 percent for many years to come.
- Japan's security treaty with the U. S. remains a cornerstone of its foreign policy and provides Tokyo with a degree of confidence it otherwise would not have in dealing with its militarily superior neighbors.
- Basic differences in political outlook between Japan and its communist neighbors will also inhibit the development of any broad community of interests.
- The Japanese deep-seated, historic distrust of the USSR, reinforced at the end of World War II by what Japanese consider as Soviet perfidy in attacking Japan in violation of their non-aggression pact with Russia.

Graphic: Small map of Northern Territories



THE GLOBAL ENERGY SITUATION



Background

Japan, the third largest industrialized economy, is nearly 88 percent dependent upon imported energy. Petroleum is and for the future will continue to be the most important source of energy in Japan supplying 75 percent of Japan's energy requirements compared to 45 percent in the United States. Virtually all Japan's oil is imported. The Arab oil producers supply about 44 percent of Japan's petroleum needs and Iran and Indonesia together supply 48 percent. This year, in sharp contrast to the recent past, Japan is expected to suffer a decline in real GNP. The four-fold price increase by the Organization of Petroleum Exporting Countries (OPEC) has contributed significantly to this slow down.

Japanese Position

Japan's extreme dependence on imported energy, especially petroleum, accentuates its historical feelings of isolation and insecurity. On the one hand, the Japanese wish to avoid confrontation with Arab producing governments which might threaten their imports. But they also express rising concern over the impact of high oil prices on the world economy. Japan has overcome its initial misgivings concerning the danger of confrontation with OPEC and has accepted the International Energy Program negotiated in the Energy Coordinating Group. While the successful negotiation of the IEP has bolstered Japanese willingness to engage in greater consumer country cooperation, some sensitivity to any aura of confrontation with the producers remains.

United States Position

Our principal objective is to obtain Japan's support for our drive to achieve close consuming country cooperation on the oil problem. Japan's support of the IEP is a useful start and its long term cooperation in resource development and R&D are necessary for the maintenance of consumer solidarity and a reasonable solution to the oil pricing problem. We want their continued cooperation in conservation and recycling with a view toward creating the objective conditions necessary to bring about a reduction of oil prices. We do not want to arouse needlessly Japanese sensitivity over confrontation with the producers. But we do want to state clearly our view that the world cannot function, politically or economically, with current oil prices.

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By            NARA, Date 5/24/2010



### Further Actions

We have proposed several additional steps toward cooperation. We have negotiated further discussions among the foreign and finance ministers of the five major nations in an effort to reduce differences in their perceptions of problems and opportunities before formal discussions of closer cooperation are undertaken with a wider group of industrialized countries.

A program of additional cooperation is desirable, one in which the different parts reinforce one another both politically and economically.

Included in the program should be: (a) an internationally agreed set of additional measures intended to reduce reliance by the industrial countries on imports of oil from outside the group, to be referred to below as "conservation measures"; (b) a new set of commitments and procedures by which the group could provide economic support, as needed, in the form of loans to those members of the group which would otherwise suffer acute economic damage as a result of international economic developments, to be referred to below as "financial solidarity measures"; and (c) an undertaking to attempt to develop various other forms of collaboration on measures supportive of the activities included in (a) and (b), referred to below as "other supportive measures."

### Conservation Measures

Additional measures by the major industrialized countries to reduce their reliance on high cost oil imports are desirable:

- to reduce vulnerability to future interruptions in supply
- to limit the real burden being placed on their economies by the necessity of paying either currently for the costly imports or ultimately for amortization of debt being undertaken to finance the current consumption of energy
- to reduce the danger of potential disruption to the world's financing system as a result of concentration of large holdings of financing assets in the hands of a small number of producing country governments
- to demonstrate to the producers more promptly the damage which will be done to their economic welfare, as well as that of the consuming nations, by attempts to prolong current high oil prices.



The most appropriate mix of additional conservation measures will vary from country to country. Among the important types of measures are removal of official restraints on the cost of energy to consumers, imposition of additional taxation on consumption of imported energy, and inducements to switch from oil to other sources of energy.

The higher prices which have been allowed to take effect in the market place have already reduced oil consumption. Not only have the 5% to 10% increases forecast earlier for consumption growth in 1974 not taken place, but recent consumption levels in the major industrial countries have been running 5% to 10% below the levels before the outbreak of the Mid-East War in October 1973. Some of the reductions in consumption are attributable, however, to the slower overall rates of economic growth being experienced in the industrialized countries, and there is no assurance that in the absence of new government measures there will be no resurgence of demand in 1975 when higher rates of economic growth resume and when the shock of the sudden move to higher prices is further in the past. Under the circumstances, additional conservation and production-encouraging measures are desirable in all countries, and probably in every country it will be easier to gain legislative and popular acceptance of additional measures if they are taken in the context of an equitably shared comprehensive program of international cooperation.

It is neither practical nor desirable to expect governments to commit to specific maximum amounts of oil imports in 1975 or to adopt identical programs or standards of conservation measures. But individual country programs for 1975 should be collated into a total international program, which would then be reviewed for the adequacy of its total impact and for the equity of distribution of national contributions, and adjusted as necessary. It should be useful to establish an agreed timetable for the development of national programs and their international review and adjustment.

As a first approximation, we will seek measures which would result in total member country imports in the third quarter of 1975 of at least 20%-- about 5 1/2 million barrels a day, below their imports of about 27 1/2 million barrels a day in the third quarter of 1973. Already, by the third quarter of 1974, their imports had been reduced to almost half the amount proposed for the third quarter of 1975. The cutback in consumption could alternatively be expressed in terms in reduction in consumption below levels which would have prevailed in the absence of new conservation measures.

Financial Solidarity. Despite the reduction in oil import costs which can be achieved by additional conservation measures, and despite the desirable



impact which such conservation may have in preventing further increases in oil prices and possibly in bringing about some price reductions, the industrialized countries are likely to be faced, in 1975 and later years, with enormous oil import bills. Vast changes in the pattern of international trade and investment flows will result. Adjustment of these flows is likely to take place in many different ways, both through the many existing channels of contact between the oil-producing countries and the industrialized countries and through various new channels.

In this process, however, there is the danger that--in the absence of new measures of international cooperation--particular industrialized countries might be faced with acute economic hardship or with the necessity to rely on financial help from producing countries on terms which should be considered politically or economically unacceptable to the community of industrialized nations. To counter this danger, it would seem highly desirable that the industrialized countries develop among themselves a new set of commitments and procedures by which the group could provide economic support in the form of loans, when appropriate, to individual member countries of the group. What is needed is more likely to prove a safety net than an artificial limb, but the safety net would need to be designed for use in any emergency which might arise in order to provide countries in advance with a confidence which would allow them to avoid internationally disruptive economic policies which might otherwise be undertaken out of extreme fear of the future.

To be effective in combatting fear, the potentially available loans would have to be very large. On the other hand, such loans could not be promised to any member of the group automatically. The availability of the loans would have to be conditioned upon judgment on behalf of the group that a prospective borrowing nation was following reasonable policies of self-help.

As a preliminary proposal to meet the need for a safety net, we will ask that consideration be given to an agreement among industrialized countries that they would--in the context of a larger program of collaboration on conservation and other energy matters--agree to undertake loan commitments callable on demand by a common fund when loan assistance was needed and approved for a particular member country.

The principles on which the fund would be based could be as follows: (a) The total size of the fund would be related to the estimated annual combined deficit on current account of participating countries vis-a-vis outside oil suppliers (an appropriate number for the first year might be one half of oil deficits, which would provide a fund on the order of \$20 or \$25 billion).



(b) Each country's maximum lending obligation and maximum borrowing limit would be identical. (c) These limits would be determined basically by reference to an appropriate formula incorporating relevant considerations: an appropriate formula might be based on oil imports from outside the group, participation in foreign trade, and GNP. (d) Participants would share in financing loans on the basis of their shares in the fund.

Additional commitments would be anticipated for 1976. Each loan from the common fund would be approved by a board of trustees acting on a qualified weighted voting basis on behalf of the member nations in the group. The discretion of the board should probably be limited by agreed guidelines. The board might well be associated with the OECD. The loans to and from the common fund would presumably be on commercial terms. Loan assistance from the common fund should probably be made conditional on the borrower making appropriate use of other assets available to it and making efforts to obtain capital from other sources on reasonable terms. Borrowers would also be expected not to take trade or other restrictive measures inconsistent with their Gatt, IMF, and OECD obligations.

In any event, whatever method of financial support is chosen for industrial countries, the need to provide additional concessional assistance to developing countries will need to be considered. To the extent that financial solidarity leads to improved economic performance in industrial countries, lesser amounts of direct financial assistance to developing nations will be required however.



YAKUTSK NATURAL GAS PROJECT



Background

The Soviets have for several years sought both US and Japanese participation in the Yakutsk natural gas project. The project is scheduled to proceed in two stages. The two-three year exploratory phase would confirm the existence of exploitable reserves and define the fields at an estimated foreign exchange cost of \$250 million. The Japanese Ex-Im Bank would support the sale of Japanese goods and services of \$110 million; the US Ex-Im Bank would support sales of the same amount through a loan of \$49.5 million coming from private American banks; the USSR would make a cash down payment for US equipment of \$11 million and provide the remaining \$30 million in hard currency costs. In the development phase, the pipeline, liquefaction plant, related port facilities, and tankers would be constructed at a cost presently estimated at \$5 billion or more, with equal participation by the US and Japan. The Soviets would earn the funds to repay the credits with shipments of one billion cubic feet a day of LNG to both the United States and Japan, beginning in the early 1980's and continuing for 25 years.

The Japanese and two American companies--El Paso Natural Gas and Occidental Petroleum--have reached agreement between themselves and with the Soviets over the terms of their participation in the exploratory phase. On March 22, the Japanese Ex-Im Bank signed a financing agreement with the Soviets conditional on participation by the Ex-Im Bank and US commercial banks. The Japanese desire US participation in order to spread the economic costs, counter future Soviet inclinations to apply pressure, and assuage Chinese apprehension over closer Soviet-Japanese relations. Our Ex-Im Bank has been unable to act on the Soviet loan application due to the difficulties surrounding Congressional action on the Trade Bill and the Ex-Im Authorization Renewal Bill.

Japanese Position

The Japanese are anxious to move ahead with the exploratory phase but continue to insist on joint US participation as a prerequisite for their extension of credits. In a May 11 message to former President Nixon, Prime Minister Tanaka asked for his assistance in making US credits available. Tanaka hopes to obtain a US decision on the exploratory phase during your visit.

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E.O. 12958 (as amended) SEC 3.3

NSC Memo, 3/30/06, State Dept. Guidelines

By            NARA, Date 5/24/2010

US Position

US participation would have positive benefits for our relations with both Japan and the Soviet Union, as well as economic benefits for the US if the project proves commercially feasible. However, the required Ex-Im Bank loan could not be approved before both the Trade Bill and the pending Ex-Im Bill are enacted. Congressional opposition, particularly in the Senate, is outspoken against Ex-Im Bank participation in developing Soviet energy resources and possible US dependence on those resources. It is uncertain whether or on what terms Congress might grant Ex-Im Bank the authority to back the Yakutsk project. Moreover, we should determine the role of imported natural gas in our long-term energy planning before considering participation in the development phase of the project. The US companies will also have to negotiate a price of the LNG which would make the project commercially feasible. We do not, however, wish to prevent the Japanese from moving ahead with the exploratory phase--if they so desire--pending our own decision which may take some months to determine.



URANIUM ENRICHMENT FACILITY



Background

Japan has committed itself to nuclear power to reduce its dependence on petroleum imports. The U.S. is the principal source of enriched uranium for Japan's nuclear reactors. Our ability to continue this supply role may be endangered by the limits on current U.S. enrichment capacity and by the lack of firm plans by the USG or private industry to build new facilities, which are very expensive. A moratorium has been imposed on further enrichment contracting by the USAEC which leaves any additional Japanese nuclear power plants beyond those presently scheduled without an assured source of supply.

Uranium enrichment was discussed at the August 1973 Nixon-Tanaka summit. The joint communique of that meeting called for cooperation in achieving a joint enrichment venture. At the Washington Energy Conference in February, 1974, Secretary Kissinger stated that the U.S. is prepared to examine the sharing of enrichment technology, both diffusion and centrifuge, within a framework of broad cooperation in energy.

Japanese Position

In an attempt to diversify its sources of enriched uranium, Japan has already contacted France and the Soviet Union and, in addition, has undertaken to develop its own centrifuge process by 1985. Nevertheless, many Japanese business leaders prefer the U.S. as principal supplier, and are prepared to invest in a joint venture to establish the next U.S. enrichment plant. Japan contributed \$3 million to a \$6 million evaluation study of a U.S. industrial consortium (Uranium Enrichment Associates) which recommended construction of a gaseous diffusion plant. Japanese interests have also been negotiating with Exxon Nuclear Corporation in a venture which would involve similar participation in a gas centrifuge plant. These negotiations provide that after the construction of a U.S. plant, another could be built in Japan. Pending a decision by U.S. industry to proceed with these plants, the Japanese may be willing to offer financial participation in exchange for a guaranteed portion of supply. //

U.S. Position

U.S. interests will be served by a strengthened U.S. role as Japan's principal supplier of enriched uranium. In addition to direct economic benefits, this would tend to strengthen our political ties, enable Japan to withstand pressure from oil producers on political and economic questions and strengthen Japanese support for the U.S. on international energy issues.

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E.O. 12958 (as amended) SEC 3.3

NSC Memo, 3/30/06, State Dept. Guidelines

By MLO NARA, Date 5/24/2010

Continued U.S. assurances to meet Japan's enrichment requirements, especially if these are bolstered by Japanese participation in the next enrichment plant built in the U.S., can also strengthen our influence with Japan toward maintaining the peaceful orientation of its atomic energy program and increasing its willingness to ratify the NPT.





INTERNATIONAL MONETARY SITUATION

Background

The U.S. balance of payments is showing an increasing deficit on current account (-233 million in September, -2,347 cumulative in 1974); the Japanese current account is recovering rapidly from the shock of higher oil prices (+415 in Sept., -616 cumulative in 1974).

Japanese Position

The Japanese feel that they are vulnerable to the oil crisis and must rapidly improve their balance of payments by increasing non-oil exports and attracting petrodollars from the Arabs. (Saudi Arabia has deposited \$1 billion in Japan. Other countries are likely to follow.) Anti-inflationary policies have slowed non-oil imports and given a strong fillip to exports.

United States Position

The United States is concerned that the Japanese balance of payments may be strengthening too rapidly. The OECD countries must share a collective trade deficit against the oil producers. To the extent that Japan improves its own position too fast, other nations must share a larger portion of the collective deficit. We would view especially seriously any deterioration in the US-Japan trade balance.

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E.O. 12958 (as amended) SEC 3.3

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By MAO NARA, Date 5/24/2010



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## MULTILATERAL TRADE NEGOTIATIONS

### Background

The multilateral trade negotiations (MTNs)--formally opened in Tokyo a year ago--have moved slowly, in large part because the United States does not yet have its negotiating mandate. This mandate--in the Trade Reform Act--should be enacted before the end of the year.

Both Japan and the United States have a great stake in the negotiations. In the long term, agreements reached in negotiations could help maintain their economic growth and lead to better allocation of domestic resources. In the short term, active negotiations would help: a) to discourage unilateral actions to restrict imports or stimulate exports in response to energy-induced problems, b) to discourage bilateral deals to assure access to supplies, c) to defuse protectionist pressures, and d) to maintain confidence that the world trading system can continue to function under stress.


While among the most committed supporters of the negotiations, Japan predictably has not played a leading role in preparatory work.

### Japan's Position

Japan's need for successful negotiations is unique because of its dependence upon imports of farm commodities and raw materials and upon exports to pay for these materials. Japan accordingly seeks substantial tariff cuts by all major industrialized countries, multilateral action on some key nontariff barriers, a workable and equitable provision to safeguard the results of the negotiations, and understandings concerning access to supplies, including agricultural products. Interest groups in Japan will be particularly strong in resisting further liberalization of Japanese agricultural trade.

### U.S. Position

The United States has been vigorous in pressing for the negotiations not only because of their economic significance but also because of their political and psychological importance. It has been at the forefront in keeping the preparatory work moving. U.S. interests are similar to those of Japan on tariff reductions, access to supplies, and some non-tariff barriers. The U.S. attaches particular importance to liberalization of agricultural trade to assist U.S. exports.



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FOOD AND AGRICULTURE

Background

Japan is the leading customer for US agricultural products. In FY 1974 its purchases amounted to over \$3 billion--14% of total US agricultural exports.

At present Japan has no major alternative sources of supply for the bulk of her present purchases. But future growth in US agricultural exports to Japan might be threatened if Japanese doubts as to the dependability of the US as an agricultural supplier continue. These doubts arise from the imposition of US export controls on soybeans in mid-1973. Continued talk of export controls reinforces Japanese doubts. Japan has already undertaken efforts to diversify foreign sources of supply (soybeans from Brazil, rice from China, wheat from Canada, etc.). We have assured the GOJ that we will make every effort to see that grain sales to Japan are not adversely affected by our new system of prior approval for export sales.

Beyond this, the US is interested in following up efforts at the World Food Conference by the establishment of an internationally coordinated system of national grain reserves which would help alleviate future shortages and distribute equitably the burden of carrying food stocks. Japan's participation would be essential to the success of this scheme.

The US is also concerned about Japanese restrictions, on beef imports imposed in February of this year. US exports to Japan consist of relatively small amounts of high quality beef; but traditional suppliers to Japan such as Australia and New Zealand may be forced, as a result of Japanese restrictions, to divert 1975 meat exports to the US market, which is already suffering from unusually low prices.

Japanese Position

Japan wants assurances that agricultural supplies from the U.S. will not be interrupted by export controls. The Japanese may ask for such assurances and request a U.S. Government guarantee of long term supply contracts with private US firms, Japanese-owned stocks held in the US, or other arrangements.

World Food Reserves. Japan is cautiously interested in the US concept of a reserves plan in which major trading countries, including Japan, would undertake most of the world stock holding responsibility. However, a world reserves scheme may not in the near term offer the supply certainty that Japan seeks; she is primarily interested in guaranteed access to US supplies.



Japanese Trade Restrictions. Japan justifies its current restrictions on beef and veal imports on the basis that high prices have reduced meat consumption, thereby driving down domestic cattle prices to unprofitable levels.

US Position

The US recognizes Japan's heavy dependence on agricultural imports. It will make every effort to meet essential Japanese import requirements. We believe that US and world food production will continue to increase at a rate adequate to enable the US to meet Japan's requirements. Continued exchanges of information and necessary restraints on purchases will, however, be important to our efforts to meet Japanese and other export needs. Over the longer term, cooperative approaches to food security, including a soundly-conceived system of world food reserves are needed. The US is willing to consider, with Japan, means of improving production and procurement of agricultural commodities for Japan; but such arrangements must be consistent with US multilateral obligations. Outright bilateral supply guarantees by the US would not be consistent with such obligations.

The US endorses the establishment of a soundly-conceived system of world food reserves as a major mechanism for assuring world food security. Japan's cooperation in such a scheme would be one of the most constructive steps that Japan could take to ensure its own future food supplies. Moreover, her cooperation will be essential to such a world scheme.

Japan's restrictions on meat imports have serious consequences for other countries, including the US, and should be liberalized at once. Failure of Japan to accept its fair share of meat imports will increase the risk that protectionism in the US will increase and that exporting countries will suffer a major liquidation of livestock which will endanger future meat export supplies.



Japan's Fisheries Off the U. S. Coast

Background

There is growing concern within this government and the U. S. seafood industry over the level of Japanese fishing in the northeastern Pacific and Bering Sea. Although Japan fishes the North Atlantic coast as well, her fishing effort there is relatively small and is not presently an important issue between us. In the northeastern Pacific, however, Japan's fleet takes about 80 percent of the total catch. The size of the catch as well as Japan's failure to adopt sufficient conservation measures to protect the stocks has become an important and nagging issue between us.

A clear concensus has developed among U. S. and Canadian scientists that the total fishing effort in the northeastern Pacific now exceeds the level at which the optimum long-term productivity of the region can be maintained. Some of the more important species are being overfished. Of related concern to the U. S. is the conservation of whales, not only off our coasts, but throughout the world's seas, and the very high catch of living resources of our continental shelf by Japan.

While the Law of the Sea Treaty must provide the permanent framework for a solution to our fisheries problems, the U. S. recently announced new enforcement guidelines concerning takes of some species from our continental shelf fishery resources. Further efforts are still needed with regard to fin-fish stocks.

Japanese Position

The Japanese rely on seafood as their main source of animal protein. Of Japan's worldwide catch, about 20 percent is taken in the northeastern Pacific off the U. S. coast. To limit their catch by 30 percent would substantially increase the price of fish in Japan. The Japanese feel that the U. S. view of the abundance of these fish is too conservative and that the present level of fishing effort is generally justified. In any case, Japan contends that she has abided by the conservation measures established under the various international agreements to which she is a party, and it is within that framework that new conservation standards should be developed. Finally, a significant reduction in the level of the Japanese catch would result in a sharp increase in the cost of fish in Japan and thus contribute to Japan's number one problem -- inflation.

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## U. S. Position

Our view, supported by scientific research, is that the northeastern Pacific is now seriously overfished and that a general reduction in fishing effort is required. Because Japan is the major contributor to the present degree of overfishing, Japan should reduce her catch by about 30 percent along the lines recommended by U. S. and Canadian scientists, rather than setting catch goals based on optimistic resource estimates. Because the fish concerned are located very near our coast, and for the most part above our continental shelf, Japan should take seriously into account U. S. conservation standards and scientific research results. It should also take seriously the possibility that the Congress will extend U. S. fisheries jurisdiction to 200 miles. Japan should also better control the level of high seas fishing for salmon and not develop new fisheries without consultation with the U. S.



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