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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Ryutaro Hashimoto of Japan

PARTICIPANTS: United States
The President
The Vice President
Secretary Albright
Samuel Berger, National Security Advisor
Erskine Bowles, Chief of Staff
Leon Fuerth, National Security Advisor for the Vice President
Sandra Kristoff, NSC Notetaker

Japan
Ryutaro Hashimoto, Prime Minister
Kaoru Yosano, Deputy Chief Cabinet Secretary
Ambassador Kunihiko Saito, Ambassador of Japan to the United States
Shunji Yanai, Deputy Minister for Foreign Affairs
Masaki Orita, Director-General of the North American Affairs Bureau
Yayoi Matsuda, Assistant Director of the Japan-U.S. Security Treaty Division

DATE, TIME April 25, 1997, 11:00 a.m. - 3:00 p.m.
AND PLACE: Oval Office

Restricted Meeting - Oval Office

The President: It was a great honor to host you here last night for the celebration of Congressional action on the Chemical Weapons Convention. This reaffirmed America's relationship with Japan as a unique and important contributor to stability and peace. (U)

Prime Minister Hashimoto: It has been a great pleasure and honor for me. (U)

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Reason: 1.5 (b, d)

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The President: I'd like to discuss China and Russia. If each is interested in a positive partnership in the Asia Pacific, that will be valuable. But we need to maintain a strong U.S.-Japan partnership as well. (S)

Prime Minister Hashimoto: Your summit with Yeltsin helps build a foundation of stability for the whole world. It is essential as well that Europe and Russia have strong relations. I also want to tell you that we have now fulfilled our obligations on Okinawa land leases, although there are still those in Japan who would like to see adjustments in U.S. force levels and structure. It is not very appropriate to address these questions at this point in time, but perhaps we could consult in response to future changes in the security environment. I would like us to reconfirm this point for our publics. Finally, I believe we should intensify our work on defense guidelines, issue an interim report in May or June. Transparency and showing our public the progress we are making is critical to acceptance of our final report. (S)

The President: I very much appreciate what you have done on Okinawa. I will reaffirm all American commitments, especially that we will consult closely with you. You have my personal assurance we will work closely, and we will do all we can to avoid problems. I recognize Japan bases provide us our only missile forces between Guam and the Gulf. (S)

I would like to comment on several economic issues. When I became President, growth was slow everywhere. Now, the U.S. deficit is down, Japan is sustaining growth, European interest rates are down, and there is a general consensus that economic cooperation is good. In addition, we all have worked hard to put the WTO on a good footing and to solve specific bilateral problems. (S)

Our approach to bilateral issues has worked well, and we have bravely faced challenges and restored growth. This brings us to the present moment. I understand the rationale for your economic policies, and am very sympathetic to you regarding the problems you face, including savings rates and an aging population. We will face the same kind of problems in a few years. At the same time, Japan's power and size means that your economy and policies have an effect beyond your border, just as ours do. Your policies can help not only Japan but the world. So my point is that our people estimate that fiscal budget cuts will double the surplus. This will happen just as I am fighting off a conservative, somewhat isolationist Congress; you saw the tough vote on CWC. I also have a problem with China. If the

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Japanese surplus increases, then I will have difficulty securing MFN for China or fast track authority. I will have difficulty heading off trade protectionists. ~~(S)~~

Prime Minister Hashimoto: On these economic points, I need your understanding. The Japanese economy has changed. We are engaging in six reform efforts, including structural and fiscal reforms, and are trying to cut government spending and adjust the tax burden. I did tell Rubin about our two percent tax hike and understand his concerns. But there is one point people do not notice. We passed a supplementary budget in February that included public investments of 3 trillion yen in public projects. This will be implemented during April through June, the period Mr. Rubin is most worried about. I believe that FY 98 growth will be around 2.5% and in FY 97 it will be nearly 1.9%, as we will face some effects from tax reductions. I believe it is important to look at the goods and services that comprise our trade balance sheet; I do not think we will have a surge in the goods and services numbers. That is why I think we should talk about current account surplus not just trade numbers. My finance minister will meet Secretary Rubin soon and they can discuss this further. Also we should not discuss the touchy subject of exchange rates in public; we need to remember the kind of signal we want to send our publics. ~~(S)~~

Expanded Meeting - Cabinet Room

The President: I am pleased to welcome the entire Japanese delegation. I'd like to make two comments about the topics the Prime Minister and I have discussed just now. First, let me thank Japan for its work to preserve the U.S. military presence in Okinawa. I made a strong personal commitment that we will carry our U.S. obligations and work hard to avoid creating problems for you. On economic issues, we had an interesting discussion about the effect of internal policies on trade positions. On issues such as market access, including telecommunications, financial services, civil aviation, autos, I have a high level of confidence in Ambassador Barshefsky and encourage negotiators from both sides to reach agreements. Finally, we cooperate across a range of issues in the Common Agenda. This has been an enormous success, in no small measure due to the great support you have given Common Agenda projects. There is one small problem in the environment area involving whaling. I urge you to reconsider your position. This is the only area of difference between us; other issues are on track. ~~(S)~~

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Secretary Albright: We are working hard on UN reform, but there are obstacles in the U.S. Congress regarding arrears. We are pleased with the Secretary-General's reforms which are important to each of us. We support a Security Council seat for Japan. The question is how to reform the Council to make it reflect the international system of today. We agree on appropriate regional representation, although the Council should be no larger than 20 or 21 members. It is already difficult to run with 15 members. I hope you will work with us to come up with a consensus proposal. ~~(S)~~

Prime Minister Hashimoto: I appreciate this kind invitation to visit Washington. Since your last visit to Japan, you have been re-elected, we have had a series of high-level exchanges, and we have built a consensus for cooperative relations. It is now important to conclude the defense guidelines review. It will enrich our relationship and help Japan create an effective crisis management team. I discussed this with Secretary Cohen and we agreed to publish an interim report on defense guidelines. Transparency will play a major role in building public consensus. I appreciate your comments on Okinawa. I believe we need to implement the Special Action Committee on Okinawa recommendations. I also appreciate your continued sensitivity to the Okinawa problem, and I have no intention to discuss force structure questions at this juncture. What is important is what we confirm. And we are confirming we will consult closely about changes in the security environment as it affects defense policy and military postures. ~~(S)~~

I will not read my economic points, but it is important to continue our efforts at domestic demand-led growth. The finance minister can discuss this with Secretary Rubin. I will continue my deregulation efforts, and I hope we can have more dialogue on deregulation. The President touched on some issues, such as aviation. But I prefer not to discuss those issues here. We should let USTR and MITI deal with these issues and resolve them. ~~(S)~~

We have a different opinion on whaling issues. We intend to engage in whaling on the basis of scientific standards. I want to avoid an emotional argument between us. Frankly, the sanctuary has no scientific basis; thus, it is hard for us to support it. In all other areas of the Common Agenda we are in basic agreement. There are so many areas in which we can cooperate. ~~(S)~~

I also appreciate the comments on the UN. We clearly are strongly determined to become a member of the Security Council.

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We appreciate your support. I completely agree the right number of members is 21. We should set our goals, agree on them and continue our campaign. At the working level, Germany has spoken of 24 members. Please give us your further cooperation and advice. ~~(S)~~

The President: Kohl will be here in five weeks. I will try to work through this with him and reach a common U.S.-German-Japanese position. To make the Security Council stronger we need U.S., German and Japanese leadership. I am with you and will do my best to work out a common position with Kohl. ~~(S)~~

Prime Minister Hashimoto: Thank you. I fear Germany is more insistent on 24 than I had thought. ~~(S)~~

Restricted Luncheon - Map Room

The President: We must modernize our individual relations with China. We are in a period of intensifying U.S.-China relations. There are four major obstacles: Hong Kong's transition; nonproliferation; trade, where we should work together to increase market access in exchange for WTO membership; and human rights where I hope we can press Jiang after the Party Congress to make some moves. I hope you will support us. Do you believe China will move toward greater openness? ~~(S)~~

Prime Minister Hashimoto: You have covered the issues we have concerns about. The leadership is seeking to preserve the special status of Hong Kong, but I do not know how long they can treat Hong Kong specially. Shanghai and other areas will demand the same special status. The inland areas may become jealous and demand redistribution of power. It is hard to predict whether China will become more open. It will open to an extent to try and catch up to international economies. But there are "minorities" issues within China that are inter-linked with poverty. I have visited these areas. The majority ethnic group, the Han, have been able to maintain control and are better off than similar groups in Russia. But now the central Asians are independent and minority groups in China are envious. So far the only ethnic issue the PRC worries about is Tibet, but their worries may spread. Another problem is the spread of Islam. Even where the government has tight controls it will not be able to control pilgrimages of Muslims. ~~(S)~~

I also am concerned about China's military modernization. The purchase of SU-27's is worrisome; they now have twice as many as last year. I don't think they yet have the capacity to build a carrier, but they want a carrier. China is now stressing its

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cooperation in the fight against Japan. It does not see the United States as a colonial power and is trying to show off how close it is to the United States. (S)

We have an opportunity to change Chinese behavior. I will visit Beijing in September and Li Peng will visit Japan next year. China distrusts the U.S.-Japan security relationship. We may have to have military-to-military exchanges like the ones you have with China. I sense through our bilateral negotiations a new enthusiasm on China's part for early accession to the WTO. I believe they are serious about reaching agreement. One major question is with such a vast country and internal divergences will Beijing be able to control the outlying areas? (S)

I am very concerned about Hong Kong because it is the showcase for prosperity. How much tolerance will China have toward Hong Kong? On the other hand, perhaps Hong Kong will become the model. (S)

The President: First, thank you for your help on G-7/G-8 issues at Denver. I want Russia to seek its greatness in cooperation, not domination. There are still some issues for the G-7. I want a small, low-keyed meeting with a press release and one press conference of the eight. I pressed Yeltsin hard to improve relations with Japan. The same forces that oppose conciliation to the West oppose conciliation to the East. In the short run this may make your problem more difficult. But if we can produce a successful NATO-Russia, include Russia in certain groups, achieve economic reforms, then the nationalists will be weaker as there emerges a greater sense of security within Russia. (S)

North Korea makes it difficult for us to give them aid. They link food to things they should be doing anyway. This is a thinly disguised bribe. Japan and the United States have a strong interest in North-South dialogue and in ending the North's missile sales. We are thinking about new approaches. (S).

Prime Minister Hashimoto: I would also like to coordinate with you on the Middle East peace process. Thank you for this visit. (S)

The President: Thank you. (U)

-- End of Conversation --