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THE 11TH SSC - 29 July - 2 August 1979

Mr. Watari: Gentlemen, I am delighted to open the meeting. I would like to express my gratitude to US Officials; the 10th meeting was held here also. The discussions were close and fruitful. Since SSC 10th there have been frequent visitors to both countries: Secretary Brown to Japan, Foreign Minister Sonoda and Prime Minister Ohira to the US, President Carter to Japan; next month Minister Yamashita will go to the US. These create mutual understanding. In the security area Japan and US have exchanged info and the implementation of Japan-US understanding is welcomed. Various studies under the guidelines are presently ongoing. Steady progress is being made. Now we are required to deal with various problems in 1980's. We seek a richer partnership in foreign affairs and defense. On behalf of the Japanese side, let me introduce members of the Japaneses delegation.

Mr. McGiffert: Thank you very much Mr. Watari. I look back to last SSC with pleasure in the sense that we accomplished a good deal. A lot has happened in the world since then. (Introduces US delegation).

Amb. Mansfield: I agree with Mr. McGiffert; I would like to compliment Japan on your strides in the last two years since SSC. Since the last SSC: US Has noramlized relations with the PRC; Prime Minister Ohira came to Washington; Prime Minister Fukada also came in 1978; recently there have been two summits in Tokyo. The energy summit placed Japan front and center on the world stage; substantive results on energy and refugees came out of it. Diplomatically Japan has advanced rapidly, especially as regards ASEAN and because of Foreign Minister Sonoda's travels, Japan has advanced

much further. I would add that it is time! In the defense field Japan has continued its expansion, 8% growth per year for 10 years -- this is very sizeable. Japan has recognized the emergence of the Soviet Pacific Fleet as a major factor in the world. We hope for discussions of the White Paper recently released by the JDA. Thank you for your support in the upkeep of US forces in Japan, including labor cost sharing, utilities, residences and the like. And we hope, in conclusions, that you will be very frank in raising any questions which you may have, especially in view of situation since 1978.

Mr. McGiffert: Thank you very much, Mr. Ambassador, for your useful comments for setting the tone for disucssions which I hope we can live up to.

Admiral Weisner: PACOM is pleased to have you especially our guests from Japan. I hope you have a good time.

Mr. McGiffert: First subject is SALT.

SALT II -- handout - per text.

First point -- critics have been unable and will be unable to develop compelling technical arguments against it. Because of this and Soviet buildup SALT is a debat of the relationship between US-USSR and what it future should be.

- SALT is a competition. We believed it should be minimized. We think that failure to ratify the treaty will be destabilizing.

- Second - as the JCS pointed out, it does tend to stabilize relations between super powers; numbers are stabilized which were not in SALT I. The Treaty takes an important first step in controlling numbers of warheads as well as systems; this is especially important since the Soviets have larger weapons, throw weights as opposed to US which by choice chose to develop smaller missiles of higher accuracy. Soviets will dismantle over 250 launchers by 1985; US can modernize missiles and build MX as our response to increases in Soviet accuracy; we can develop TRIDENT, develop air launched cruise missiles, continue R&D on sea launched cruise missiles; none of these are compromised. WRT verification, it is not based on trust of the Soviet Union. The loss of facilities in Iran will temporarily limit our ongoing monitoring capabilities but overall verification is very diverse, and, since strategic systems take years to develop, we are confident that we can detect and respond to any Soviet cheating before it could affect the strategic balance.

Finally, the treaty does not constrain nuclear programs in which NATO countries are interested. It does not cover so-called forward-based nuclear systems the US maintains in Europe now does it cover interdependent British and French nuclear forces. It does not prevent deployment of cruise missiles or IRBM deployment to Europe if the alliance should so decide. The protocol restricts these until 1981 but that it meaningless since US won't produce them before 1983. The US rejected Soviet efforts to insert a non-transfer clause in the Treaty. The non-circumvention clause is merely a measure to ensure compliance.

- You may ask and we ask ourselves what are the prospects for ratification by the Senate. Consensus building takes time. The initial round of hearings have given chance for the administration to respond. The JCS supports the treaty. Also distinguished people such as Averell Harriman and Admirals Gaylor, and Kidd support it. Other oppose; Henry Kissinger testified today. There is no report on what he said. Now I have it; the press reports that Henry Kissinger supports ratification but only if the US Makes a binding commitment to increase defense appropriations. Let me comment on defense programs. Comments do not only include strategic progress; Senator Nunn, General Haig and now apparently Henry Kissinger has stated that greater strategic and conventional defense efforts by US are now needed. Since this is an emerging debate, my comments will be personal but I think my colleagues will agree.

I referred earlier to relations between the US and the USSR that are both cooperative and competitive. If we look at the competitive side, the US and its Allies including Japan can outcompete the Soviets in all respects except one. We can outcompete them politically and socially; their system has no magnetism. We can surely outcompete them economically, in international markets, let alone practical consumer goods. Militarily it is another story. Russia has a history of being strong in military forces. It has a political system that allows it to channel significant resources into military channels. It rightly sees the US as having more difficulty in maintaining high levels of military investment. Trends are ominous in the sense that consistently for 15 years the Soviets have been modernizing and building up; and, while US and Allies have done the same, by some calculations, as to results in military capability, trends favor Soviets for at least two reasons:

1) Some expenditures by the US and its allies are wasted in that they are duplicative or less efficient than they should be because efforts are not standardized or interoperable.

2) Greater proportions of Soviet expenditures go to resources which create military capability (ours goes to personal salaries). I say all this to indicate my view that global balance, if allowed to continue, is a legitimate item of discussion for all governments to be concerned with. That, let me emphasize, is a different question from whether appropriate responses to that situation should in some way be linked to SALT II -- SALT II after all can stand on its own feet as a contribution to limiting the expansion of strategic arms on both sides and stabilizing US-Soviet relations in that respect. Nevertheless, as I said earlier, the debate about SALT II is more than a debate on treaty itself. This may be one area where the Senate and country may wish to broaden the debate.

Lastly comments on procedure WRT the treaty. The Senate can ratify or defeat, or it can attach non-binding reservations which do not require renegotiation. The best guess in Washington, which is only speculation, is that we can expect a vote sometime in NOvember. This completes my presentation on SALT; I will be happy to entertain any discussion.

Amb. Mansfield: I agree with Mr. McGiffert. My strong impression is there will be increases in defense expenditures as a matter of course rather than as an answer to Senator Nunn, General Haig, or Henry Kissinger. Increases are related to SALT except that they might strengthen the chance for its ratification.

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Mr. Watari: Thank you for your remarks concerning SALT II; the GOJ has already voiced support. I would like to express my thanks for your valuable description and explanation of SALT II and global concerns. We sincerely hope for smooth ratification. Just like NATO we are interested in SALT III. I would like to hear its main themes. I would like to know whether gray area weapons will be included. Especially I have great interest in how US forward base system will be takne up in a new treaty.

Mr. McGiffert: First let me express appreciation for the GOJ's support. Amb Mansfield reminds me that the Japanese government was the first government to come out in support of the treaty. This is something our government appreciates very sincerely.

On the question of gray area systems, the Soviets in SALT I and II attempted to limit forward based systems. The US successfully resisted. One of the reasons is that the Soviet Union defined US forward based system as "strategic" because they could hit the USSR, but Soviet IRBMs which could hit Europe but not hit the US were not called strategic. Shortly after SALT II was signed the US made a declaration that any future limits on US system for theater systems should be accompanied by limits on Soviet theater systems. Thus the Soviets will have to abandon their insistance that only US theater system be limited if they want to achieve any progress. Whether or not the Soviets are willing to do so I don't know. If so two threshold questions will arise. The US Has a firm position on neither now.

1) Whether forward based systems (theater systems more accurately described) should be dealt with separately or together with central systems.

2) The degree of comprehensiveness which should be set in any limitations on theater systems

Mr. Tamba: I want to ask same question I asked last year. Did the Soviets touch on FBS in the Pacific? If you take up FBS in SALT III it will affect negotiations on MBFR. Is this correct?

Mr. McGiffert: I am not aware the Soviets raised systems in WESTPAC. Nothing in the MBFR negotiations will prevent the NATO alliance from taking steps it deems to be necessary or from steps which might affect arms control.

Gen. Lawson: It is apparent there are some areas of overlap between MBFR and SALT. It may be possible as we develop SALT III to separate nuclear expansion from those issues concerning conventional forces. This may provide additional policies on MBFR.

Mr. Watari: It seems that SALT III will be concerned much more than SALT II with negotiations with US allies so we would appreciate it if you could provide us information.

Mr. McGiffert: Your request is very reasonable. I might tell a little of where we are on the modernizing of TNF in Europe because I am Chairman of the group. The group has decided there should be modernization. This will create political difficulty for some countries, e.g., (b)(1) (b)(1). We hope to reach a decision sometime toward the end of the year. A decision on modernization will have an effect on the posture of both sides in SALT III negotiations. In any event we will take your request under advisement. If you want to know any more about details and if Mr. Arima wants to come to Washington, I will brief him.

Mr. Watari: I might ask question about this later.

Mr. McGiffert: Let's move on to Europe and NATO.

BREAK

Mr. McGiffert: I want to briefly turn to Europe and NATO and give an overview of where we are and where we're going. Soviet expansion shows signs of leveling off. But modernization is expected to continue unabated.

This spring the DPC reaffirmed the goal of expanding defense expenditure by 3%. Most members doing a good job on this. The US submitted a budget acccrdingly, but inflation may have wiped out some of this. This will put pressure on '81 budget. NATO Last year developed a long term defense program. 162 changes were listed. This was decided in May in Washington. We are making gooc progress on these. A summary has been provided to your delegation. I would like to make these points.

(1) They are designed to correct the controversy of neglect arising out of Vietnam and pervasive Soviet modernization.

(2) Improvements in NATO are not coming at expense of forces in Asia. We intend to continue at least the current level of forces in Asia and make imrpvoements.

(3) We are hastily making efforts to overcome problems of efficiency which result from failure to standardize. There are complicated political problems in each country wanting defense industry, of US wanting to count on no one outside for its own defense. The stakes are so high that we can overcome Soviet overspending us only if we become more efficient.

Let me turn to the ME and Persian Guld. It is a truism to say the US, Japan and industralized nations of the West share an interest in unimpeded

access to ME oil. The Soviet Union has no vital interest in the area and thus can afford to take more risks. That makes a difficult situation even more risky. Thus we are concerned about instability in Yemen, Afghanistan, etc. and instability in countries undergoing great social and economic change. Our response must take into account realities. President Carter has made heroic efforts to achieve an Arab-Israeli peace. The US also made a strong response to the Saudi request to help the situation in North Yemen. How to deal with internal instability is a difficult problem in which all of us need to cooperate.

In the end, however, only the countries in the area themselves can solve problems of instability. But the US may be able to provide the security environment against external threat so that the countries may be able to deal themselves with internal problems. In this connection, the question we have been addressing within the USG is whether we should enhance US presence in area. We have had for 30 years, a modest ME force presence of 3 ships plus deployments of carrier and surface battle groups which are increased in times of crisis. Until the fall of the Shah we had such a force posture. During the first six months of this year we intensified our efforts in the I.O. so that we have had a continuous enlarged presence in the ME Force. That augmentation cam exclusively from Pacific Fleet forces. If, as I believe we should, at least modestly increase our presence in order to demonstrate our concern, a more difficult question is raised as to how to maintain that presence. Moderate Arab states want us there but our presence becomes a political liability because it is a target for attack by radical Arab states.

Given that political fact of life it seems that the most viable alternative is to increase naval deployments. This suggests contribution from both the Atlantic and Pacific Fleets. Since both Japan and NATO are concerned, we hope they will think it appropriate even though ship days in, say the North Pacific, might be decreased modestly as a result.

Watari: As you have indicated, stability of the ME is vital to Japan. So we appreciate your efforts. As to military measures, newspapaers have reported Washington has discussed concrete measures including a Special Force. I would like to hear your view on this.

McGiffert: There have been newspaper reports about what some call a Unilateral Corps; this is bad name because it suggests the US might go it alone; that is not in accord with realities. For many years, the Department of Defense has had a planning factor for programming forces. This planning factor has been fighting one major and 1/2 minor conflict. Such units as the 82nd Airborne and some marine units have been though of principally as units which would be most useful in what I would call a limited contingency. The king of limited contingency we have through of has been one in the Middle East or Korea, for example, to reinforce UN Forces there. So what you are seeing in these reports you hear is not a referenced to the creation of new forces but an emphasis on our part in making those forces more mobile and better able to perform when they get there. We have made progress in last few years in this area.
Needless to say we do contingency planning for many contingencies which may be remote and due to the fact that we have 1 1/2 war planning factor, this should not be taken to mean that we will necessarily do one thing or another but it has had good effect on the perceptions of others.

Watari: One more question. Regarding military force reductions in the Indian Ocean, I would like to hear about the progress.

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McGiffert: I don't know what you consider progress. After negotiations began, circumstances changed. Massive Soviet assistance was given to Ethiopians and we told the Soviets this was inconsistent with negotiations. That situation hasn't changed. I wonder whether you have a view if it would be wise to begin again. If so, we would be glad to hear it.

Watari: I think it is rather hard to say categorically whether resumption should be done or not. What is important is your decision whether balance after negotiations be on the Western side. If so we would earnestly support it.

McGiffert: (missed)

Nakajima: Your explanation of situation of Persian Gulf has given us much encouragement. We appreciate your efforts. Your have also mentioned modality. You mentioned naval forces from both Atlantic and Pacific. You mentioned ship days in Pacific might decrease. Since from our view naval presence in Pacific is vital, we are concerned if your presence in the Pacific decreases. I realize this might sound contradictory but I must express the concern of Japan. I am sure other Asian countries feel similarly. I would appreciate your not giving the impression of decreasing your presence.

McGiffert: We will not emphasize it publicly. Changes taking place will be very modest so practically it will not be of great significance. I would like Admiral Weisner to comment.

Weisner: You will recall yesterday, Mr. Nakajima, when you visited my headquarters, I mentioned our plan to up deployments to the Indian Ocean to 4 per year from 3 and a plan to increase ME forces by 2 ships - those would come from Europe. Also increased deployments would come from Europe so there would be no change from the Pacific. Starting in '73 we were sending 4 deployments per year, then we reduced to 3. So the new measures

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will not reduce the Pacific Fleet from past levels. To be sure there is no misinterpretation, I share your concern and would like to have a little more effort in defense from both the US and from Japan.

Platt: I have a question for the Japanese side: Has there been any evolution in your policy on ME? This has been a subject of consultation at the highest level of government. We appreciate your support and appreciate your desire to move at your own pace on your own policy. MITI Minister Esaki has visited the ME recently, etc. could you bring us up to date?

Nakajima: Iam sorry I cannot give you the most recent news. I will reiterate our overall policy which I though I will talk about later. As you said this has been discussed at the highest level. Mr. Esaki just came back and I think there has been no new assessment yet so I will only reiterate our general posture. We will do our utmost to stabilize the area. As for economic cooperation, we will try our best independently and with continuity. The modality of how we will do this has to be developed. I am sure we will keep your government informed, but there is nothing concrete at this time. Yesterday, Admiral Weisner, when you briefed us there was mentioned of a tactical air squadron being sent there. Is this correct?

Weisner: Yes, in addition to 4 deployments of ships per year and an increase in ships, we have discussed an increase of air squadron deployed once per year. For example, F-15s in Saudi Arabia, AWACS in Saudi Arabia, etc. We have not yet decided on this.

McGiffert: We need permission of the host country.

Weisner: Saudi Arabia was only an example.

Watari: Shall we have lunch?

Afternoon Session - 30 July ~~SECRET~~

McGiffert: The next topic is the current Asian situation. I'd like to call on Make Armacost.

Mr. Armacost: Many of you know more than I do so I will only throw out a few points for discussion. I will make three quick points:

1. Politically and diplomatically things are good.

2. Some military points are unfavorable.

3. This puts pressure on Japan and US because it affects what we are interested in.

On the good side:

1. USSR-PRC standoff has not abated. Conflicts exist but they pit communist country against communist country.

2. American military power consolidated by Korea decision, Philippines bases agreement and our force posture which General Lawson will discuss tomorrow.

3. US-Japan defense cooperation is greater than ever before.

4. US-Japan relations with China cause them to act in a restrained manner.

5. Long-range trends in ROK favor them over the North. Washington-Seoul, Tokyo-Seoul relations good.

6. Taiwan has adjusted well to normalization (Sino-US).

7. The US is impressed by ASEAN's resilence and cohesion.

8. The Pacific Basin's economy is strong making the transition to independence without undue strife or external manipulation.

All the above are hopeful and we should try to consolidate these. On the negative side of the ledger:

1. Growth of Soviet power: there are several components:

a. Quantitative and qualitative improvements -- the Minski and Ivan Roger have deployed to Vladivostok; there are increased fortifications in the Northern Territories; the acquisition of limited military operating rights in Vietnam; the provision of massive military supplies to Vietnam, thereby facilitating the SRV aggression in Cambodia.

2. Development of instability around the Indian Ocean littoral and a stronger Soviet foothold in SEA raises questions about the security of oil critical to Japan and US.

3. Presence of UN forces on Thailand border poses risk that the Vietnam conflict will spill over to Thailand.

4. Conflicts in Indochina have forced not only Thailand but Malaysia, Indonesia, and Singapore (all ASEAN except maybe the Philippines) to reconsider the adequacy of their defenses.

5. The refugee issue, apart from the humanitarian aspects, has threatened to upset delicate balances in Malaysia, Indonesia, etc., because of Chinese emigration from Vietnam.

6. The Sino-Vietnamese conflict could recur.

7. In Korea we have discovered North Korea is stronger than we thought and the ROK will have to strengthen defense efforts. US response to these problem areas:

Soviet access to Indochina - we have expressed concern and count on Vietnamese nationalism to limit them in long term; we need to see to it that the USSR pays a high diplomatic price for its entree to military facilities in Vietnam and its underwriting of the SRV's invasion of Cambodia.

As I understand the GOJs response to Vietnam concerning access to the Soviets and what it will cost them it has been very helpful.

Concerning Indian Ocean we already discussed it this morning. In some ways your information may be greater than ours. (Iran, Afghanistan, etc.)

Thailand-psychological-warned USSR and SRV of danger of spreading; also have expanded aid and speeded the delivery of support equipment to Thailand. We recognize danger o spreading, so in short-term we want to forestall recognition of the Heng Somrin government and keep the idea of an inter-national conference on Kampuchea alive.

At same time we are trying to help other ASEAN countries. This is difficult because of Congressional cuts in assistance and because of depletion of supplies. Your (Japanese) aid to ASEAN countries has been helpful and in any ways you can help this is helpful to US. With respect to China we think neither US or Japan should help China create an anti-Soviet front. We should encourage our cooperation (US-Japan) and conduct our relations with China in parallel.

In Korea, Secretary Brown discussed new intelligence that has caused us to reevaluate our withdrawal and now ROK must increase defense spending. They have big inflation and an increase in defense spending will be difficult so your help in aid and assistance to them would be helpful.

Finally, on refugees. The Tokyo Summit demonstrated what can be done. Your funding plus our increased quotas plus what 7th Fleet is doing is impressive and has stimulated the international community.

Mr. Watari: Thank you very much.

Mr. Watanabe: Mr. Armacost's presentation shows the level of

cooperation between US and Japan. I cannot improve what he said so I will only add a few remarks. The Sino-Soviet split is not unwelcome but it is somewhat destabilizing. Mr. Armacost says we should not be worried about one communist country pitting itself against another, but this still is destabilizing. Mike Armacost said we should not join in China's anti-Soviet effort and our approach to China should be in political and economic modernization. We support these modernizations but not military modernization. We should encourage China's leadership to take a moderate course to the outside world. China's leadership is old and may be in a hurry. We are looking at the China-Soviet talks. I am of the view that China may be reluctant to embark on a "Second Lesson" but some Chinese include Lee Chen Yen favor it. This is disquieting. We would like to spend some time on this. China's view is that they would like to keep the Vietnamese worried so that the situation in Cambodia might improve. Recently there is some feeling China might go for Laos instead of Vietnam. Chinese might underestimate the USSR's response. We would be interested in your view of the Soviet's scenario. If China might again act, the US and Japan should try to use their influence to moderate the situation because of possible Chinese miscalculation of the Soviet response.

Mr. Armacost:

1) Sino-Soviet talks -- motives may be many:

- May reduce tension
- may buy time for modernization
- may create USSR-Vietnam jealousy
- may have trade advantages; I don't think they'll get far

but both USSR and China may be trying to increase leverage vis-a-vis the US and Japan.

Mr. Sullivan: I agree, but I would like to bridge Mr. Watanabe's and Mr. Armacost's statements. Mike Armacost mentioned spreading to Thailand and Mr. Watanabe mentioned the possibility of a "Second Lesson". We shouldn't wait for this to happen. We could be helpful in cooling things off by:

1. Making it clear to USSR that we will not have a US-Japan-Chinese plot againt them.

2. That we want a solution in Cambodia to ease tension.

3. We should support ASEAN through this period.

Amb. Mansfield: Mr. Watanabe, is Lee Chen Yen the one who has been making statements about the "Second Lesson"?

Mr. Watanabe: He was quoted in Newsweek as saying the "First Lesson" was not effective.

Amb. Mansfield: You mentioned the possibility of a "Second Lesson" in Laos. We know of Chinese road construction. Have the Chinese left Laos as the Laotions requested or are they still there?

Mr. Watanabe: I think they left. China could invade or they could use guerillas. We are joking that Chinese could use the same tactics Vietnam used.

Adm. Weisner: From a militry standpoint we don't see indications of a buildup near Laos. It took 6 weeks to prepare for the "First Lesson". Thus in near-term we do not see indications of preparations, but of course this is no guarantee that they will not do it in the future.

Mr. Watari: I would like to ask Mr. Armacost to present a balance sheet of the Chinese "First Lesson" against Vietnam, especially was it an asset to the West or not?

Mr. Armacost: At first it looked like an asset. It showed China's willingness to act, a restraint on Vietnam, etc. But now China must look on it as negative.

1. No victory was achieved.
2. There was change in Vietnam's situation vis-a-vis Cambodia.
3. It caused Vietnam to buildup on China's border.
4. Russia's efforts become greater.

Because of the above and because of cheaper alternatives with which to bleed the Vietnamese, I don't think a "Second Lession" is likely in terms of a conventional military assault.

Mr. Sullivan: I don't agree completely. From a long-term perspective the Chinese probably accepted the costs. They will not say we shouldn't have done it. They will explain it as the "tactic of the time. We had to Act." The Thais and others may have concluded that they had to make a deal with the USSR if China hadn't acted.

Mr. Platt: Documents emerging from the National Peoples Congress support the view that the invasion was controversial but that it had to be done.

Perhaps this is an after the fact justification but perhaps it supports what Mr. Sullivan said.

Adm Weisner: Casualty wise both sides experienced the same --6,000 killed, 30,000 injured. But now the Soviets are using Vietnam's bases much more, both ships and aircraft. Soviet advisers went from 2500 to 5000, etc. This must be considered in the costs.

Mr. Armacost: This is a minus for the US at least if not for China.

Mr. McGiffert: There are some difference of views on the US side. What is your view Mr. Watanabe?

Mr. Watanabe: My personal view is that it was unfavorable to China due to the increased Soviet presence in Vietnam. In ASEAN countries there was support for China. North Korea opposed it but ASEAN supported. The act was a response to China's credibility being questioned in SEA. The key question is how we evaluate the military situation in Cambodia. There is very conflicting evidence. We would appreciate your assessment.

Adm. Weisner: The Vietnamese are in control of population centers and road networks. There is resistance. The question is can Vietnam continue and can they suppress the opposition. The near and mid-term Vietnam success prospects look good. The long-term prospects are not so good. The question is how much did Pol Pot alienate the Cambodians and how far can Cambodia come back.

Mr. Armacost: I agree with Admiral WEisner. The problem is that the Soviet Union is willing to provide the necessary support for Vietnam.

1. The Soviets have no other friend in the area.

2. What they do for Vietnam lessons what they might otherwise have to do themselves.

I would appreciate your views as to how we can moderate Soviet assistance to Vietnam.

Mr. Watari: I am not a Soviet expert. The GOJ has failed to get its 4 islands back so our power against Soviets is limited. We will utilize our diplomatic channel to Hanoi and we will ask Washington to try to restrain Moscow. Maybe this is unbalanced. Hanoi has always maintained they are independent and that the Soviet presence in Vietnam is exclusively anti-Chinese. The JSSR Vice Foreign Minister Mr. Golubin was rather haughty when he visited Tokyo. He said there nothing wrong with port visits. Japan made his statement public and Golubin demanded we deny it. He said it would get him in trouble with Gromyko because it would unstabilize relations with ASEAN.

Mr. Watari: Time constraints should make us move on. Now it's Japan's turn to lead. Japan Security Policy in 1980s. Director General Nakajima will present a report.

Mr. Nakajima: I will lead and my colleagues will comment. (see the report attached).

Mr. Watari: We welcome your questions on this report.

Mr. McGiffert: I will ask Mr. Armacost to comment. It was an excellent and interesting presentation. It shows we both have global interests. I want to assure you of our interests in bilateral planning. We of course

agree fully with you on the absolutely critical importance of our bilateral relationship and its continuing and to be perceived as credible by the Japanese and US public. Meetings like this help to ensure we as government officials are dealing with this in best possible way.

Mr. Armacost: I have a comment or two - it was an impressive rundown and a subtle assessment of 1970s which is useful. You need not worry about us pressing you too hard. I have been at this for ten years and our understanding has grown. We are impressed with your autonomous development. We have been encouraged by what you have done and we look forward to that continuing.

One other comment. Your listing of issues is logical and most of these will come up in discussions on bilateral planning. On cost sharing, I share your views about the SOFA. I only hope you will continue to interpret flexibly as you have and use your economic power to help solve the problems involved with keeping forces overseas. Question - many of your premises for the 1980s are for the status quo. What if you are wrong?

Mr. Ikeda: Call another meeting (laughter).

Mr. Seligman: Let me rephrase the question. Maybe you are right. There's been a major evolution in Japanese thinking on defense in 1970s. It is possible in the 1980s there will be voices in Japan calling for Japan's doing more without external stimulus, for example calls for expansion of Japanese naval forces to the Middle East, etc.?

Mr. Watari: Japan's defense program and background will be presented tomorrow, and Mr. Seligmann's question is related to this. It is very

difficult to predict what world will look like ten years after but Mr. Nakajima's projection is our best guess. In a future session I will give my assessment of Japanese domestic political development.

Mr. Nakajima: Al Seligmann is correct. Japanese public opinion will develop but they will not develop to calls of revising the Constitution. Sending naval ships to the Middle East will not come about. Concerning cost-sharing also, more will be said but the SOFA has been expanded to the maximum extent. We have established a good basis and we can do a lot within that framework. We will do more but within that basis.

Mr. Tamba: I am very glad to hear that we don't have to worry that you will push us. Government officails are very careful but your Congressmen, for example, are sometimes perceived as your government. There has been a favorable trend on the Security Treaty in Japan because you have let us work things out and allowed us to insert legal limitations in the guidelines. We kept saying this is the limit of SOFA and we still expanded but now this is really the limit (much laughter).

Mr. McGiffert: We have great faith in our ingenuity and yours.

Amb Mansfield: Mr. Nakajima's thesis was superb. It was brief and to the point. I was very impressed.

Mr. Nakajima: Remarks like that from a man like Ambassador Mansfield is very reassuring.

Adm. Weisner: Mr. Nakajima, could you tell us what might be possible under an peacekeeping operations?

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Mr. Nakajima: This has been discussed for 20 years or so. There was a theoretical problem of whether we can do this constitutionally. The three or four times it was discussed it was always criticized in the press. The Government feels that sending forces overseas under a UN flag is possibly different but it will take some time for the Japanese public to understand. It is a bold guess as to whether this is possible in 1980's. Communication units or nurses may be examples of what we can do. But since there has been no full public discussion it is hard to say what is possible.

Mr. Tamba: It would also take a legal change since nothing in SDF law at this time authorizes such operations.

Mr. Platt: You mentioned that Chinese and Soviet leadership will change in the 1980s. I am comforted by the record of the US-Japan relationship for coping with change. Our relationship is the stable one. We know how US and Japan transfer power. We don't know how USSR and China transfer power; they don't either. I have hope that the US-Japan relationship is the basis for coping with changes. You may be too conservative, but I am confident we can handle things as before because our US-Japan demonstrated capability to deal with change.

Gen Lawson: I would note that I will send a cable home to stop working on changes to SOFA and start working on word "maximum".

Mr. Tamba: Please stress the word final.

Mr. Watari: I would like to explain the kind of cost-sharing projects we are thinking about on Thursday. As you know in Japan a change in leadership does not change policy too much.

If you agree we will move on to next subject:

Mr. McGiffert: General Ginn will make the presentation. We will have movies.

Gen Ginn: Read presentation (see paper).

Mr. Watari: Thank you. Joint studies between the SDF and USFJ should have come long ago but because of the political stiuation they haven't. I am moved by what has been done thus far. I would like to express my appreciation for what has been done. We are looking forward to these studies to teach the JSDF many valuable things. I would like to emphasize that these are studies and not decisions but I think they are very valuable in contributing to our knowledge.

Mr. McGiffert: You have our assurance of our continuation and increased support. I would like to congratulate Admiral Sakonjo and General Ginn and their staffs. I was wondering if they would request expansion in their staff's numbers.

Gen. Ginn: I already got 20 more.

Mr. Sakonjo: Mr. Ikeda refused me.

Gen Ginn: Ask for 40, Admiral.

Mr. Ikeda: Our Joint Staff is very efficient.

Mr. McGiffert: I hate to think ours isn't so efficient.

Adm. Weisner: We understand your political constraints.

Mr. McGiffert: I was glad to see that the Associated Studies will consider logistics and complementarity. I think that will have to go on long after the basic plan is completed. I question whether and to what extent the training of Japanese officers in US ought to be expanded to support this planning effort.

Gen. Ginn: There are several programs undersay.

Mr. Watari: We hope to expand scope of training in the US. Our problem is the high cost. A detailed explanation will be given by Mr. Ikeda tomorrow.

Mr. McGiffert: We have more questions, but shall we wait until tomorrow?

Mr. Watari: Let's adjourn.

Third Session

Watari: Today it is scheduled that the Japanese side will present the present situation and long-range plans for Japanese defense. If it's OK with you, we'd like to present an explanation of Japan's White Paper on Defense published recently. Is that OK?

McGiffert: Fine.

Watari: Agenda says "long-term prospects" but really will be mid-term prospects because will extend 4-5 years. Before getting into prospects for Japan Defense, let me touch on current public opinion in Japan on defense matters. Recent Japan public opinion seems to see reality as it is. It seems to me this tendency has become strong since the end of Vietnam War in 1975. In a recent opinion poll 86% of the Japanese public understand and support the SDF and 68% support the Mutual Security Treaty. It seems that this change in national opinion is reflected in a change in Japan's opposition parties although such change is not as clearly visible (as change in public opinion) yet. The regular session of the Japanese Diet ended in June. Concerning defense, mainly the E2C procurement as a part of the so-called Gruman scandal was a topic. This was initiated by the US SEC report of January 1979. We had some trouble with the E2C case but it was a good escape for us (from more serious issues). Thanks to the E2C scandal, the focus of opposition criticism was shifted from the guidelines and cost-sharing to incidentals of the E2C problem. Because of the debate on E2C, we were worried about the E2C start-up. When the budget was unfrozen in July we sent our

officials to the United States. It was supposed to be an FMS case but it turned out we can contract with the US Navy. For this we are thankful to DOD and to the US Navy. Concerning cost-sharing issues, last year we received kind consideration from Mr. McGiffert. Thank you very much. This includes my introduction. Now we will begin discussion of three things. Director Ikeda will discuss:

1) The Present Status of Defense Power
2) The Projected Mid-Service Estimate
3) The Prospect of Feasibility of Achieving the Estimate.

Ikeda: Please see Exhibit A. Japan has gradually built up its defense power (He reads paper -- see copy).

Watari: If you have any comments or questions, we will be very pleased.

Weisner: It was a very comprehensive report. It was a very balanced approach to many problems you have to consider. It clears the air and shows that you recognize various needs, C3, etc., radar, air and land side as well. It is clear that we all recognize air defense as one of the highest needs. It is equal to ASW. On naval side I urge you to give emphasis to ships that can work close in (200 to 300 miles) as well as ships that have sufficient legs to work further out if necessary in defense of the SLOCs.

Speaking personally, I can see some scenarios where it would be in Japan's best interests to control the SLOCs as far south, to speak boldly, as the Malocca Straits. This of course indicates a requirement for logistic support capability considerably in excess of that required to support a zone of only 200 to 300 miles around Japan. In logistics, I recommend you give attention to

petroleum, storage, mines, explosive for mines, and supplies (not only for mines but all supplies). General Takashima and I had a good discussion of land forces. You should not neglect these. He feels we should not overlook the possibility of land action (invasion) in the North. One final comment, more or equally important, speaking personnelly, I think it is absolutely necessary to have capability to close the straits, especially in patrolling, aircraft, mines, C^3, etc. That would be the #1 thing Japan could do to help the situation.

Gen Ginn: I endorse Admiral Weisner's views. We will discuss these in bilateral planning; in addition to discussing mere hardware issues, we will discuss how we will carry these programs out.

Gen Lawson: I would like to add my congratulations on the quality of the report. I had a chance to take a quick look at summary you have provided us. In our own JCS studies in the last two years we have been impressed by worldwide nature of the Soviet threat and I was glad to see you recognize this. It became clear to us that there is a need for coordination between the US and its Allies, e.g., NATO and Japan, or a strategy mismatch will occur. The problems for us as we go into the 1980s are not only that we expend resources in the most efficient way but also that we employ these weapons in most efficient way for our joint defense. Thus we will try to ensure that joint exercises are done in best way and in combined excercises ensure that command and control is carried out in the most efficient way and that they are effective. Again just let me congratulate you on the quality of your effort.

Mr. Wolfowitz: I have a question of detail on logistics. You mentioned two important areas, war reserves for the GSDF and improved storage for mines. Can you give us any details?

Mr. Ikeda: I will try to answer as clearly as possible. As far as the GSDF is concerned, the total tonnage of ammo has decreased; 1977 was the bottom year. Since then we have tried to increase, e.g., this year there was a 25% budget increase for ammunition. We hope to continue that increase through 1984 and I think by 1984 our ammunition supply will become sizeable. We will have trouble in finding storage places so we need to cooperate with USF in Japan.

Regarding mine storage we thinking about two things. Now have several thousand mines; we are trying to get more. Also, presently mines are (b)(1) We hope to improve this. It will take about two years. From next year we will start building such facilities. By 1984 we will have a very sizeable capability to do what Admiral Weisner asked (blockade the straits).

Mr. McGiffert: Mr. Watari, you referred to public opinion changes and Mr. Ikeda talked about 1% GNP expenditure as necessary to achieve these goals. I realize it is hard for you to say but in this period of time you described will the 1% limit rule of thumb on defense expenditures erode?

Mr. Watari: In formulating this estimate we worked within the

assumption of 1%. This 1% rule of thumb was decided by the Cabinent in 1976. As members of government we must therefore work with this. Whether this will change or not is strictly a political matter. As far as public opinion changes, previously public opinion support for defense was below what was necessary to sustain SDF. Presently public opinion has caught up to reality. The future depends on future changes in public opinion. This mid-term estimate is not fixed. We will review it every year and every 3rd year we will do a fundamental review so it is not a very fixed estimate. Japanese GNP is increasing so fast that if we go up to 1% we will have a significantly increased budget.

Mr. Ikeda: Presently our budget is 0.9% so if we go to 1% the defense budget will increase 230 billion yen. Presently our defense investment (hardware items) is 430 billion yen. In future we will put these gap funds (those between 0.9 and 1% 230 billion yen) into such investment - almost a 50% increase.

Mr. McGiffert: I would like to echo what my colleagues said about the excellence of your presentation. Shall we take a break?

Mr. Watari: Yes, let's.

After the break

Mr. Watari: As I indicated before please let us present an explanation of the recently published White Paper on Defense. It has been published every year since 1976. The 1979 version published last week (24th of July). We tried to describe only the facts. What we said was not very different from reality. The Japanese mass media said we responded to the Soviet buildup too radically. Mr. Ikeda will present the report.

Mr. Ikeda: The White Paper was approved by the cabinet on July 24th. The report is thick and is not yet translated so you have a summary. (Reads English language summary).
This White Paper was treated more by the press than ever before and we would like to continue it every year. Your comments would be helpful in writing our next defense budget.

Mr. McGiffert: Can we read this summary and respond this afternoon or tomorrow?

Mr. Watari: Yes

Mr. McGiffert: Now General Lawson will make a presentation on the Indian Ocean and Asia in 1980's.

Gen Lawson: I will try not to repeat what already has been said. The recent opening of bases and airfields in Vietnam could have far reaching consequences and we will monitor the situation closely. Addition of the Backfire and other Soviet developments have affected the situation. We would be happy to discuss them with you in the discussion period if you desire. But let me say the US has not stood

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Pacific and Indian Ocean, SLOC protection and offensive operations in wartime. Despite uncertainties total force levels should increase in early 1980's. Increase mainly in surf combatents and SSNs while reductions will come in auxiliaries and reserve ships. We will remain flexible as we did in Vietnam drawing on ships from Atlantic. More recently we drew on Pacific and Mediterranean to build up Indian Ocean.

In addition to sea-based forces Navy and Marine aircraft are located ashore. ASW P3's regularly operate from Adok, Alaska to Dojo Garcia (sp), etc.

By end of 5 year defense program all F-4's except those on MIDWAY and CORAL SEA will be F-14's, land-based P-3's will be updated, surface ships will be greatly approved by towed array and LAMPS McIII helo.

AF - PACAF has 10 squadrons of 192 F-4s

2 in P.I.

4 in Korea

4 in Okinawa

3 of 4 in Korea tasked for Korea, others are available for general Asian contingencies.

F-15's will begin from Kadena next year. AWACs will rotate and to Kadena by end of FYDP five AWACs will be available in Westpac.

F4G Wild Weasal will deploy to Clark starting next year.

Ground Forces

28,000 troop of 8th Army are part of CFC strategic reserve.

Withdrawals of 2nd Division will be held in abeyance by Presidential directive.

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Withdrawals beyond 1981 will be reexamined based on intelligence estimate of N-S military balance and evidence of reduction of tensions.

No changes in USMC deployments are programmed. MAU and BLT are afloat in MAU. Some of these deployed marines marines may operate more often than in past to Indian Ocean.

25th Infantry Division in Hawaii is CINCPAC's strategic reserve. I MAF is in East Pac -- no change is contemplated in its employment.

Strategic Forces

Squadron of B-52's and SSBNs are based in Guam. First TRIDENT is expected in Pacifin in FY 1981.

Mobility Forces

MAC operates 70 C-5's and 234 C-141's. Based on US but great flexibility to deploy to areas such as Korea and Persian Gulf.

Yesterday we discussed Limited Contingency Force. We are developigg such a force for non-NATO contingencies with emphasis on Middle East, Korea and Persian Gulf

- independent of overseas bases and support
- exact size depends on scenario
- self-sustaining and capable of operating for at least 60 days.

One additional word about Indian Ocean

- thus far deployments mainly from PACOM
- in near future decision forthcoming
  -- forces may come from EUCOM

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- infrastructure is meager

- Diego Garcia expansion will be completed by end of FY80 but still will be very austere. Aircraft facility will be especially limited.

In summary, we will improve, especially qualitatively. Especially navy's force size is long-term concern. Grow through mid-1980s and still time for cecision on long-term size and nature of Navy.

Combination these military forces, reserve forces, airlift, etc., provide basis for our response. We look forward to your questions.

Mr. Watari: Thank you very much. Hearing in concrete terms US persence in WestPac and Indian Ocean and goal improvement. I feel reasssured. Let's ask some questions.

Mr. Sakonjo: MIDWAY homeported in Yoko. Many newspaper reports considering another carrier homeported in Korea, Pacific Islands, Guam, etc. Is there any truth?

Amb. Weisner: Some speculation over years. Odds are there will not be any. Guam can't. Pacific Island lacks housing, etc. Navy has looked at Australia but odds are very heavy there will not be any further overseas homeporting.

Mr. Watari: Just before coming to Hawaii I saw press article that USN is considering using shipyards in Singapore. Any truth?

Amb. Weisner: Already using to supplement Subic. I doubt any increase.

Mr. Watari: Do you have any plan for using Chinhae Korea? See Brown visited and some papers commented.

Amb. Weisner: Totally erroneous. No increase there nor no plans for homeporting there.

Mr. Armacost: He visited there to see some Navy facilities in ROK. Had already seen Air Force and Army.

Mr. Tamba: Gen. Lawson, could you describe what kind of facility Diego Garcia will be at end FY-80. Does recent Korean decision affect military assistance to Korea? Number 3 - does recent Soviet use of Vietnam bases affect your force posture? Number 4 - will you change USMC force posture in Okinawa in near future?

Gen. Lawson: Okinawa - no change.

Diego Garcia: Until now catch as catch can. We are trying to make temporary facility permanent, e.g,, fuel tanks, more permanent shelters. Still very desolate.

Mr. Armacost: Some effects on assistance to ROK. Equipment transfer was based on withdrawals. As withdrawals show it will affect equipment transfer. Secondly some will go forward, eg., I-Hawk planned in 1976, 3 battalions will be turned over. Doesn't affect balance - simply will be turned over. Some issues outstanding F-16's, etc. Due to intelligence(?) expect ROK to take another look, particularly at giving priority to ground forces. Until assessment complete I won't say anything. 4th we have maintained high FMS levels to ROK, we will have to look at this also in view of withdrawal delay. Congressional cuts, etc. Finally we will look at ways of improving what we have in Korea within budget constraints due to intelligence assessment.

Amb. Weisner: First a little more on Diego Garcia - runway is being lengthened - ramp space-5X increase; 600 foot pier put in; POL storage-big increase; 40 foot channel dredged; anchorage enlarged, now 1600 people (includes 800 seabees); permanent personnel will increase from 800 to 1300.

Still agree with General Lawson -- it is austere and limited.

With regard to Soviet use of Vietnam, we don't know how much they will use. Don't know if they will increase use, have Vietnamese increase size, or send in USSR personnel there. We do know they have had teams investigating port facilities and airfields. Could be to advise Vietnam, could be to impreove these facilities themselves (Soviets), etc. Any usage increases their capability some degree. Great increase in usage could increase their capability a great deal, e.g., Cam Ranh Bay is halfway between Vladivostok and Indian Ocean. This would be very helpful to them. It increases importance of US bases in Pacific Islands, use of Singapore, etc. Yes, if they used these bases it would affect our posture.

Mr. Watari: At present what is your assessment of capability of Danag and Cam Ranh Bay to support ships and aircraft?

Adm. Weisner: Will need logistics for aircraft types they might use. Hangers, etc., are all in place. For ships we used Danang extensively and used Cam Ranh Bay. Much as deteriorated. Vietnam or Soviets would have to improve if they were to use these bases extensively for ships.

Mr. Watari: It is said that communication facilities have been constructed at Danang. Do you think it's in use?

Adm. Weisner: Yes and will improve DF capability and point-to-point communications.

Mr. Watari: One more point concerning North Korea force levels, is review complete? If so what is your assessment?

Mr. Armacost: Not necessarily finished. Increase emphasis since 1975 and there will be follow-on studies of near echelon support, etc. E.g., various studies have been conducted. Divisions strength revised from 25 to 37.

Mr. Watari: Although it is past 12, I'd like to have Mr. Okazaki present our view of Mr. Yamashita's visit to ROK.

Mr. Okazaki: Practically no concrete results except visit took place.

Mr. McGiffert: That's very important.

Mr. Okazaki: So planned. Just a precedent so it can be done again. Process is maybe important and had to be done delicately. In case of predecessor Kanemaru. Plan leaked and visit cancelled. This time no secret planning; just kept saying it was important. Yamashita and Okazaki both said twice publicly in Diet beforehand. Only JCP criticized. No newspaper criticized. Still almost cancelled due to misrelease of Kim Dae Jung cables by US State Department and due to talk in (b)(1) (b)(1) visit could not be linked to that. Mr. Sullivan testified in June as to purpose of President Carter's Korean visit. That helped. So we quietly prepared. No joint communique, press release, intelligence estimate of North Korea. Only friendly talks. ROK side completely agreed. ROK

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gave no press release except schedule. ROK may have even suppressed press -- less than parliamentarians visit. We told them we told US to treat Korean withdrawal, etc. carefully. Both Japan and ROK agreed to continue exhcnaging visits of military personnel and intelligence exchange. Also Yamashita invited Minister Ro to Japan. At dinner we invited Korean training vessels to visit Japan and they did also. This shows how careful to now - not even training visits exchanged. Opposition parties didn't criticize so much. July was JSP solidarity with Korea month. Primary slogan was "destroy Yamashita visit" They thought the visit was in the Fall. There were some demonstrations against but Police said level very unprecedently low. Please don't mention this briefing. Only background press much more favorable than we expected. Press said

(1) no opposition to visit in general.

(2) they are against future US-ROK-Japan military cooperation.

Prospects in future: There will be mutual visits in future. When Minister Ro wants to visit;we must invite him. In future we must be modest. It is my personal view Koreans don't want military support from us. They only want US help.

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They want more understanding from Japan, favorable consideration in emergency. Of course they want economic assistance, etc. But what they really want is sense of security, want to have friends, same as they want symbolic presence of your 2nd Division.

Watanabe: Want to emphasize delivery of presentation. Don't discuss out of room. Deplomatically we have to add another dimension. In my personal view Japan and ROK mutually misunderstand.

see
(next page)

each other due to colored glasses of the past. Thus we must proceed carefully. Another point is stance toward North Korea. Japan supports security of ROK but have to take into account reaction of North Korea. Today NK politically closer to Peking than Moscow. Because Peking is moderate, we like that. We must look at changing environment - Japan-PRC, US-PRC, Sino-Soviet, etc. We were pleased by small NK response to President Park's call for lessening tension in January. We are carefully watching. I think Kim Kim-Il-Song is groping for ways to cope with changes in international situation not to his liking. We note with concern your finding of NK increase in forces but most impor= tant is NK's intentions, violence, etc. I talked too much but wanted to add we considered NK reaction as well. I agree with Mr. Okazaki that it was good to break taboo. We advertised only ceremonial visit to Japan public and NK.

McGiffert: Plausible argument that Kim may see time running out. What likelihood do you think of attack?

Watari: I think in due course he must be persuaded to accept status quo. Deng told us China and even USSR opposes violence. Kim must adapt. For a year or two or three I think North Korea will not attempt overt action vis-a-vis ROK. I think Political Bureau of North Korea might be debating opening

door to a better international relations yet their rejection of Carter-Park call for talks is disappointing. But I think they are discussing whether to accept status quo or not. Accepting status quo is completely opposite to what they have been saying to date.

Sakonjo: My office was in charge of intelligence exchange. We made same question to MG Kim (NK intentions). He said immediate future is very important. He said NK might attack if they can get help from PRC or USSR.

Ginn: Three years from now we will be in better shape, F-15, AWACs. Right now tactical warning is only a matter of hours.

McGiffert: Unfortunate reality that Seoul as an urban area has expanded to North. Shall we come back at 2:30 vice 2:00 o'clock? We will respect your confidence concerning Korea discussion.

Watari: I agree with you on procedure. Let me just say one thing Gen Yamashita told me. He was impressed in ROK. US forces on duty 24 hours per day 6000 miles from Washington.

1 August PM

Mr. Watari: Let us begin.

Mr. McGiffert: We have a few more comments on Korea if OK.

Mr. Watari: Please.

Mr. Sullivan: Appreciate Mr. Watanabe's remarks. We also were disappointed in NK's lack of response. It was still worth our asking; however, because we also realize there is a reassessment going on there. We must convince them invasion is not in their interest, eg.., decision not to withdraw. I will not speak about the likelihood of NK invasion but would like to say a little about PRC and USSR feelings. On China one thing that has changed is US-PRC normalization. Last time NK agreed to talk was immediatly after Shanghai Communique. But we can't expect too much help from PRC. As far as USSR, they have avoided Korean involvement as too great a risk of conflict with US. Of course with leadership change, etc., is always a danger. So what is called for is steady, cautious approach, confident that time is on side of ROK.

Mr. Armacost: Important in our decision was GOJ concern to have withdrawal tied to diplomatic actions. Also tied to idea that NK's intentions are related to likelihood of US response. Want to insure NK understand any actions on their part carry heavy risks.

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Mr. McGiffert: Mr. Watari, I think that concludes comments on Korea. Thank you very much for opening this discussion.

Mr. Watari: Shall we go to next item which will be lead by US.

Mr. McGiffert: I think cost-sharing is next. I understand you want to do that tomorrow.

Mr. Watari: I was expecting to discuss interoperability and technology transfer this afternoon. I have not brought with me data on cost-sharing today.

Mr. McGiffert: Fine, let us turn to technology transfer and weapons systems. Let me make some general remarks to begin. I understand from time to time Japan has felt it was not treated as well as NATO with technology transfer. Not so. Dramatic example is F-15 in which case we have released greater amount of technology to you than to Europe in the case of F-16. On the other hand I would not say there haven't been problems. There have been some due to technical and administrative delays. These can result from process by which we make decision in case by case basis. In addition to normal process involving DOD and Department of State consultations, there is an ad hoc committee involving representatives of service concerned and officials of the Department of Defense in areas such as R&D, etc. There can be delays or problems if permission from NATO countries must be sought as in the

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recent case of the SG-50. I'm sure you have bureaucratic and special interests that try to influence when to buy, when to coproduce, etc., but it seems to me that the stronger our defense cooperation is, the easier it is to overcome obstacles becuase the stronger our cooperation the easier it is to argue that transfer of technology is in our common interest. Finally let me refer to some self-evident propositions:

1) There may be cases where we can minimize duplication of R&D thereby releaving funds for other purposes if we transfer technology.

2) Release in technology can be important element in improving our ability to operate together, have common logistics, etc.

3) On the other hand if efficiency is criterion if number of a system is small, efficiency might be served by purchase rather than by cooproduction. In cases where you coproduce equipment that could be purchased much cheaper, I know you have your reasons for doing this; however, it isn't the most efficient use of resources. Those are my preliminary comments; we would be interested in your perceptions, bureaucratic interests, problems, etc.

Mr. Watari: On the one hand, I understand what Mr. McGiffert said very well. As far as cost aspect is concerned; however, you would agree with me cost aspect is not the

only criterion. We must also maintain defense industry in Japan even though small. Domestic production also has advantage, especially in repairs and operation. Coproduction, domestic production, or import must be decided on a case-by-case basis. We include considerations of state our industry. In case of F-15 or P3C numbers justify coproduction. In case of RF4 and E2C small numbers favor import. Could you give us example of what you consider appropriate for import.

Mr. McGiffert: E2C was appropriate. Don't have any list. Consideration should be case by case.

Mr. Ikeda: As far as technology transfer we had (not now) some trouble concerning F-15, ALR-56, ALQ-135. Our request was rejected so we started our own R&D. It progressed well; now you say you can release. Same with P3C but now we are happy. Another case Senator Glenn came to our office and commented about low percentage of our budget for R&D. He said we should increase. I explained our history. Ten years ago we had 2% but we gave up to acquire major missiles and aircraft. JDA is the only one customer of our defense industry so if our industry starts R&D we must buy it. So we will increase our budget but this is contradiction with buying more from your country. But we will try to make cooperation closer.

Colonel Milburn: It would be helpful to know in advance whether license production is going to be undertaken (permitted) or not.

Mr. Ikeda: This is not a problem; it is a fact.

Mr. Watari: Mr. Ikeda explained the situation. As far as release of equipment about which license production is now underway there isn't any major problem at present. Concerning the procurement of equipment purchased by FMS there was some which were not delivered after the time they should have been. We have prepared a list we will present you later. Concerning Tartar(sp) missile and NIKE Hawk some were paid for 3 years ago but not delivered. As far as the reasons for the delay not only US at fault, in some cases Japanese at fault also. Anyway it is necessary to correct situation where no delivery even through fragment made. This year in Deit audit we faced this criticism. I would like to see working level officials have close cooperation. If we can't do in Tokyo I am happy to send to Washington. Not necessary to decide who is wrong just to solve problem.

Mr. McGiffert: I'm glad you raised this and gave me this list so we can give it intensive management attention. I hope not necessary to send your officials to Washington but we are happy to receive them.

Mr. Watari: I don't know too much about details and I don't want to accuse anyone just want to describe situation.

Col. Milburn: LTG Graves and RADM Altweg have list given by Mr. Tsutsui(sp). I believe answer forthcoming in a week to ten days.

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Mr. McGiffert: Concerning a comment made by Mr. Ikeda, I'm not sure I agree with Senator Glenn. As far as US is willing to transfer to Japan, Japan engaging in R&D in same area is likely to be duplicative and to lend to non-interoperative equipment.

Mr. Watari: Please let me touch upon another case. We are very much concerned about delay in F-15 program. OUr engine producer informs us Japan enjoys a low priority. We are told your Defense regulation covers this. Also you must cooperate with Department of Commerce. We would appreciate favorable consideration.

Mr. Armacost: We expect decision on this too within a week. We have requirements in the MOU on this matter.

Mr. Watari: Thank you. Please allow one more question. Necessary for JDA to know F-15 follow-on program to decide F-15J program. Is it possible for us to continue F-15D even after US Air Force finishes?

Mr. Ikeda: We understand you will finish F-15 in Oct. 1983 after you have 789 or something. After that you have no program now. In our case next year we will get 34. Also we will get F-15DJ. We cannot get on time. We are worrying whether we can get or not. Also we will make a contract to get more in 1982 or 1983. We need to know if we can.

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Mr. Armacost: Hard to get a firm assurance at this time. There is a likelihood you can get it or can you possibly accelerate the rate at which you acquire the DJ model?

Mr. Ikeda: As I explained this morning as F-4s attrit(sp) we must get more F-15s but if my information on your completion of F-15 is correct we cannot get them.

Mr. McGiffert: Why can't you buy earlier.

Mr. Ikeda: We cannot get our budget in advance.

Mr. Armacost: We have same problem. Strong likelihood production will continue.

Mr. McGiffert: Don't count on it.

Mr. Armacost: At what point will you be able to make decision? Can you make decision in FY-82 budget? By that time you will know.

Mr. Watari: About this case we'd like to continue to cooperate. I understand interoperability is to be included or we can go to next subject.

Mr. McGiffert: Let's go on. Do you feel that current consultative arrangements are sufficient or should we consider improvements/changes?

Mr. Watari: For the present we'd like to use existing channel, if it proves insufficient we'd like to consult again.

Adm. Weisner: I think that's best. If you haven't got good answers we will elevate to proper level of proper channels.

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Mr. Armacost: Like to reinforce. As in trade field early warning is good. Last fall when Secretary Brown was thre you raised problems, we solved by getting to high level. I think we can solve these by time your Minister comes. Important to raise problems in proper time (early enough).

Mr. Watari: Thank you. When Minister Yamashita meets Secretary Brown we don't want them to discuss but we hope accompanying staffs can do.

Mr. McGiffert: That's fine.

Mr. Watari: With your permission I'd like to talkd about joint training and cost-sharing. I have my material now. Concerning joint training we think it is extremely important to upgrade technique.

and exchange information so we can respond as appropriate. I would like to expand joint training and exercises. However as you know Japanese domestic situation can pose problems for us so I'd like to go forward gradually step by steps so we can enjoy public support. MSDF and ASDF have experience this field. GSDF has not experienced yet. I'd like to see GSDF have some opportunity but you have no US ground troops stationed in Japan so we are considering how to do this. As for MSDF it has conducted joint training with US carriers, etc and this year we are planning to send MSDF to RIMPAC exercise. As for RIMPAC we haven't announced yet so I don't know what the reaction will be. We have never done such an exercise before. This might have subtle bearing on Japanese public feeling. We would like to consult with US closely on this.

Nakajima: I'd like to comment on this. We will consult with you at the time. We will explain to our people that MSDF will exercise with USN. If we participate with ANZUS it would cause criticism.

Weisner: We are anxious as you are to expand. You were going to do it two or three years ago. You had to cancel. We are ready to do it. We have already agreed to public affairs aspects to ensure it meets your needs.

We recognize your problems so we will proceed at your pace.

Nakajima: Thank you.

Ginn: We will continue to cooperate militarily and politically. We do not want to downgrade service to service exercises but we will also try to achieve more in GSDF - Army training, combined joint exercises as well.

Watari: Thank you. Please let me continue on joint training. As GEN Ginn mentioned, Air Force joint training has proceeded well since second half last year. We want to have once a month, 12 times a year. Also we'd like to do among rescue forces too. As far as training for Japanese pilots go, we were thinking of sending ASDF fighter pilots to US. We discussed at last SSC and so continued discussion. As far as we know for 24 pilots (50 hours each) it would be $25 million. We are looking for ways to make this cost more manageable for us. This is what I wanted to say about joint exercises and training.

Weisner: This training is for F-4 pilots and depends on whether you used our F-4s or not. I don't have figures but might be less once type and location decided. Also second year costs much lower. Also perhaps you might be able to

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use your ground support equipment and training missiles. This involved the lease of 10 F-4s and purchase of all equipment from US. Figures presented hopefully represent worst case situation. Quite a bit involved in this.

McGiffert: Perhaps Mr. Watari, staffs could also discuss this when Mr. Yamashita visits.

Watari: I feel that this pilot training is a cost rather than technique problem. If we had more money we could do. But our budget is limited so it would be difficult to go ahead even if we discussed when Yamashita visits.

Tamba: We would also have to decide some legal questions, fires, accidents, etc.

Armacost: Do you know which specific areas are of concern.

Tamba: No. You have a SOFA with Germany for it.

Milburn: We train 3000. HAWK and HERCULES peronnel at Fort Bliss, Texas each year so I'm sure at least procedures for that exist.

Watari: About training, we also have problem for training personnel for E2C. Japanese officials now discussing with USN. Probably we will discuss with Grumann. We would appreciate your help on this.

McGiffert: Certainly.

Watari: Let's go to cost-sharing although I'm not sure I can lower it all. Chart you are now reviewing shows Japanese expenditures in relation to stationing of US Forces in Japan. About this I talked with ASD McGiffert last year and I feel we carried out what we talked about. We budgeted for FY 78 for labor cost sharing. In facilities we budgeted yen. We would like to continue whatever we can do within existing SOFA. As far as labor costs are concerned, this year's measure are the utmost we can do and I completely agree with what Mr. Nakajima said yesterday. As to facility improvement aspect the problem is not SOFA but so called Ohira Statement. In last Diet session we believe we have explained this satisfactorily. As far as cost-sharing for 1980, we are now considering with Finance Ministry. We have no intention of changing the scheme as far as labor cost sharing is concerned. But as far as facility aspect we are thinking of increasing this year's 22 billion yen basis. How much we can increase this fund remains to be seen. We have to decide by end of August. About facilities improvement, there was a DFAA-USFJ meeting, overall figure would amount to $110-500 million (?110-500 billion yen) for housing, etc. This will require several years.

About specific issue of mine storage, we are not thinking of building that as part of cost sharing, but will build for MSDF at Hachinohe near Misawa.

McGiffert: I will respond tomorrow. I appreciate your views. Let me say how much we appreciate what you have done to now. I know how difficult it has been and I want you to know how much we appreciate it.

Watari: Let us begin the last meeting. If the US side has any questions about Japanese presentation yesterday we would be happy to receive them.

McGiffert: Which one?

Watari: We are happy to move on if there is nothing (laughter).

McGiffert: REgarding cost sharing I once again want to express my appreciation for your efforts. I reviewed the record you presented. It is impressive. In particular the initiatives you have taken the last two years have been particularly helpful. They have reduced criticism in the US, no matter how unwarranted that is, that Japan is getting a "free ride." They have contributed to the morale of our forces and have stabilized our forces so we can get on with the job. I would be less than frank if I failed to mention the continuing problem of funding US Forces in Japan. For example O&M costs are going up 10% per year. Cost sharing is going to remain a problem for many years. We recognize the current constraints. We would hope that nevertheless that we would look for new ways that we would share costs in the early 1980s. Also in facilities we hope that in time you would be able to include operational facilities as well as licensing. I believe a notional list

of operational facilities has already been exchanged. We were very impressed that when DG Kanemaru visited Secretary Brown, he gave a list of cost sharing projects which later was adopted by the Diet. We hope DG Yamashita will be similarly forthcoming. Mr. Chairman, that completes what I wanted to say about cost sharing. We are now prepared to provide comments on your White Paper if you would like.

Watari: Before getting into the next item, please let me say a few words about cost sharing. As I made it clear yesterday, we cannot bear any more labor cost sharing under the SOFA. In Japan interpretation of the SOFA is very strict and any more would produce strong criticism by opposition parties in the Diet. In 1978 and 1979 we did our utmost. On the other hand we understand the problem of rising costs. As I mentioned yesterday we are going to do our best in the facilities area. But as to operational facilities, even though it is not strictly prohibited by law, we don't think it is wise at t-is time. Even from the list for barracks, etc. it would take $100 million per year for five years. I do not say we won't get into operational facilities in the next five years but we think it would be wiser to wait at least a few years. Please let me

clarify a few points. When I said we understand the costs for stationing US Forces is rising, I meant in general, and we would like to cooperate in the area of facilities. As for the exchange rate last fall was the lowest level; then it was 190 yen/dollar. Of course we don't know what it will be in the future but we hope it will stabilize. Now please go on to the next point.

McGiffert: Mr. Armacost will summarize our comments about the White Paper.

Armacost: These are comments on the summary. Perhaps we will have more later when we see full. First it is very succinct, cogent, and we agree. Particularly pleased with the way in which you described our bilateral relationship. I was struck by description of the growth in Soviet force levels, particularly when juxtaposed against your mid-term estimates presented by Mr. Ikeda. In view of the Soviet expansion, I wonder if your efforts will be enough. That is one reason it is wise to make your estimates yearly and revise rather than to make them every five years as you used to. Document says US has power advantage over all but not necessarily in strategic weapons nor in naval and air. Then where is our advantage? I guess the answer is with the addition of yourand our NATO allies. Nor would we necessarily agree with that assessment. Concerning

Soviets, our worry is their overall buildup and secondly their tendency to utilize military power against areas of the third world. As Mr. McGiffert emphasized the cumulative effect of their military effort is of concern. Politically, we should not become complacent. We are raising our defense spending in real terms. NATO is doing the same. US-Japan bilateral relationship is getting stronger and PRC is unfavorable to USSR. Thus despite adverse military aspects we place our emphasis in our total efforts to overcome this Soviet buildup. Our efforts must be carried out as efficiently as possible. Those are my principal comments.

Watari: Thank you very much for your detailed comments. I believe some of your comments are valid, but what you received yesterday is not a full translation and is not approved by the government. We are thinking of translating it fully and sending it to you for your comments. I can understand your comment that the Japanese defense effort might not be enough when we emphasized the growth of Soviet power. But we believe that growth in Soviet power must be seen globally and not just against Japan. We would like to keep increasing defense power in light of the constraints of

public opinion. Also you might have got the impression from the summary that you think we believe Soviet power is greater than US power. This might be bad translation and I would like my staff to clarify.

Ikeda: When we estimated Russian strength, we felt that Soviet ground forces which can be brought against Japan are not different in numbers from our own but they might be qualitatively better. So we planned to improve our fire power. Also we felt their amphibious ships increased so chance of invasion went up slightly. Their ship numbers haven't changed but they have more nuclear submarines. Aircraft numbers have also not increased. So we are trying to build more ships and begin a FRAM program. Also we will get P3s and other new aircraft like F-15s. We want new SAMs and I think it is terribly important to get a new BADGE system.

Okazaki: Every year we have this translation problem. We give a copy to the foreign press who always makes a quick translation. If I make the slightest change for example on page 1, you get a different impression. We want to describe the situation is severely, realistically, we want to explain how the world is shaping up. We want to inform the public but we cannot directly say everything what we should do.

Weisner: I thought you did a good job of informing them.

Armacost: I think you have to be careful in pointing out their improvements to remember our areas of superiority which are significant. Unfortunately these do not prevent them from projecting power in a place like Angola.

Okazaki: We are not saying that entire power balance has been changed and that only Japan and allies are the advantage. We believe that you alone are superior. What we said that you are not superior in every way. We will stand by this, e.g. throw weight, BACKFIRE, etc. no good example naval power.

McGiffert: How about the statement about ground forces USSR has always been superior.

Okazaki: Original text says they have been so.

Ginn: I believe text is balanced and read Japanese press reactions. I think it does not alarm but indicates. Regarding the emergency legislation which is politically sensitive and the command coordination center are mentioned; it is important that you mentioned these.

Watari: Thank you. Are there any other comments?

McGiffert: None on this subject. I would like to add my congratulations on the balance of the paper and I look forward to the full translation.

Watari: Next we would like to go into the domestic situation of US and Japan. Will you go ahead.

McGiffert: Mr. Platt will present.

Platt: This is very personal and informal. I am trained to assess other countries.

McGiffert: Let's ensure that is translated.

Platt: I will focus on events of last month. These are of interest to our Allies as well as to us. I will look at changes in the situation and elements which haven't changed in this analysis. What has changed? First the Cabinet.

McGiffert: Are you sure?

Platt: If you look at the Cabinet I think it has changed for the better. As far as the President is concerned, it is more cohesive and will better serve his objectives. Technically as competent as his predecessor and some ways more so. Economic team of Miller and Volker enjoy confidence of business world and upward trend in the dollar and stock market reflect this. I think the new Cabinet also provides some management skills it was lacking, for example the Department of Energy needed this and I believe will be getting it from Mr. Duncan. Politically there is a feeling among analysts that Cabinet is more potent-linked to

contrivencies --business, blacks, women, Catholics, etc. if you include Hedley Donovan to White House staff - not Cabinet - there is even link to Eastern establishment press. President told his taff he feels right about the Cabinet, had to be made quickly, and get on with business. He said if he had to do it again, he would not have asked for mass resignations because that gave impression broad that change was more fundamental than it was. What else has changed? White House Staff. Full extent not yet known. Hedley Donovan has been added and Hamilton Jordan has become Chief of Staff. As far as I am concerned that is good organizational change. President said in press conference that Hamilton Jordan is chief only of the staff but in my year there I have felt that the staff has lacked coordination and thus the change is good. The third change I would note is in President's attitude. He has been through a period of intense introspection. He is much more forceful. In contrasting him to just after he left Seoul, he is more positive, rested, etc. When the Prime Minister (Ohira) met with the President in May, he urged him to be as forceful as possible. I think he has

heard that from many quarters and has taken that advice. What has not changed? Popularity is still low but I think performance of government will reverse itself and popularity will go up. But performance is the key. Issues haven't changed either - energy, inflation, state of economy will be issues of the next election. Congress without Senator Mansfield remains rudderless. The security policy and foreign policy apparatus has not changed from the outset. As an insider in the process I can say there was no change. It was business as usual. Refugees, and other issues contineud and no problem getting President, SecDef, etc. Dr. Brzezinski's role unchanged but in future there may be fewer joint positions of Sec Vance, Sec Brown, and Dr. Brzezinski which go to President rather than separate views. Finally, our security policy has not changed and will not change. Policy to Asia in general and Japan in particular will not change. Administration has given great emphasis and has achieved in last 2 1/2 years many significant events we have mentioned in this SSC, normalization with PRC, Phil (?) bases, etc. Relationship with Japan will not change. In next months executives will emphasize inflation and energy but these are not merely domestic issues. These will affect our

intelligence policy and will make us a stronger and better ally. This concludes my analysis.

McGiffert: Truly excellent summary with which I would like to associate myself.

Watari: Thank you.

McGiffert: If there are none I would like to supplement. We are now within 1 1/2 years from election. Budget submitted in January will be last before election. He made commitment before election to balance budget. I'm sure he will want to reduce deficit as much as he can even though he realizes goal cannot be met. But in view of commitment to 3% increase in defense budget and in view of increase in Soviet buildup there is a strong argument to increase defense expenditures. The Administration is already committed to increasing strategic programs and undoubtedly the emerging feeling on the overall Soviet buildup as heard in the SALT debates will be felt in upward pressure in overall defense field. Efforts to stem an economic recession might signal the reverse but defense necessities might produce conflicting pressures over the next few months. A great unknown is the ultimate attitude of the American public on this issue. I will hazzard a guess, and only a guess;

American public is in a conservative mood - conservative mood would favor a bigger defense budget. However hard to say with regard to defense how strong a pressure will be exerted. Lastly and once again I venture into an unfamiliar area, my guess is that with the exception of Governor Brown of California who I don't know much about, my view is that none of the major candidates are isolationists. As security and foreign policy become issues in the campaign, they will only be questioned only to whether the United States is doing enough rather than whether it is doing too much.

Ambassador Mansfield: I have to catch a plane now. So long, thanks.

Watari: Thank you very much for the presentations of Mr. Platt and McGiffert. They were very informative and reflective for me. Mr. Nakajima would like to ask a question.

Nakajima: I agree with Mr. Watari. The statements were very instructive. Listening to mass media in a foreign country we though the loss in popularity was rather unfair to the President. Could you elaborate as to reasons why the press says popularity has dropped.

Platt: Polling is important but impressive way of taking temperatures of body politics. There was increase after speech followed by a drop after Cabinet changes so it is back to where it was before the speech. More important to keep eye on basics and look at results. How quickly are Cabinet changes being accepted and how quickly are programs being adopted. So far evidence suggests Cabinet changes are being accepted. Everybody has his favorite poll (?). President says his favorite was Washington Post poll six weeks ago where Democrats who voted for him last time - 70-80% said they would do it again. Other polls of 1300 people say other things but I think we should stick to the basics.

Sullivan: I have done some polling. Short term results can be misleading. Long-term trends are what is important. Good polls take time, always lag. You also have to look at what is being measured. Many measures only reactions to gas lines. One thing that has been neglected except by George Will is that 89% of the people trust the President and that will get him elected. I think so too.

McGiffert: Mr. Nakajima, President has done superb job especially in energy and I think public will come to recognize it as they recognize his integrity.

Watari: Thank you. It was very instructive. It's late but how about a coffee break.

McGiffert: Fine.

BREAK

Watari: I would like to present my personal view about domestic situation in Japan. It is dangerous for career official to speak too frankly. I am not to different from these career Japanese officials and not too brave but I will present my view anyway. I will have my interpreter read a paper that was prepared by my staff in Tokyo then I will add my comments.

Interpreter reads:

Watari: I would like to call your attention especially to latter part of statement. Clear that Japanese public is shifting its opion about defense but not too rapidly. It takes time for 100 million people to shift. Please look at chart as you listen to me. LDP controls just about half both House of Representatives and House of Councillors. About differences between LDP and Opposition not so much in economic and social policy; however, because LDP is in responsible position its members are careful about what they say. Opposition is bold but wouldn't be different if they

took power. As you may know JSP as a party principle holds to unarmed neutrality. However, this is becoming outdated and I understand there is confusion in the party about this principle. Recent public opinion polls show that even the majority of JSP supporters support SDF. This shows a contradiction. Confronted with this Mr. Isibashi, powerful JSP leader, responded that public has changed but people support the status quo (low level of defense) because JSP opposed LDP. He said that if JSP becomes too tolerant in defense matters the situation would become much worse. As you know there are leftist and rightist factions within JSP; there are pro USSR and pro PRC factions. They are all pressed to consider defense matters more. As you know the Komeito Party has been becoming somewhat realistic in defense matters. They have given indications they support SDF but this has not become their official policy. DSP very forthcoming, in some ways more than LDP. JCP is the most antagonistic to the government in defense policy. They oppose SDF and Security Treaty; however, they are not against arms. They are against SDF as tool of US but if they took power they would have more defense power - Red Army. Shin Jizu Club is generally same as LDP. As

far as Social Democratic Federation they are former right wing of JSP and don't have much influence. It is possible for us to talk with Opposition Parties except JCP on a case by case basis on defense issues. Mr. McGiffert knows very well I conducted a secret trade with JSP on cost sharing and Japanese laborers at US bases. However political party we can rely on in the end is only the LDP. In the Grumann scandal E-2C frozen funds all Opposition parties opposed releasing funds; both speakers who were LDP controlled the decision. According to recent news reports it is said that special Diet session will be convened in early September with general election later in September or early October. May I continue even though it is overtime?

McGiffert: Yes

Watari: Even though no public opinion poll on it, it is believed LDP majority will increase. The extent of increase in LDP seats is not easy to predict but as indicated in the sheet I gave you there are 18 vacancies. Most of these are from deaths of LDP members so that I think they should get most of these. Informed sources say they will

increase bu 20 but we can't rely on it. The expected increase in seats for LDP is a welcome prospect for us, but I want to emphasize that even if LDP has more than half, due to consensus building system they cannot suppress Opposition. LDP must build Opposition support behind the curtain. Different from US system the lower house in Japan has the stronger power, e.g. budget and ratification of treaty can become approved after time if approved by lower house irregardless of upper house. For a bill, situation is different. To legislate passage by both houses is necessary. Because of this a situation government officials worry about House of Councillors. Half will be elected next summer. LDP is having a hard time finding candidates. There is a tendency of upper house members to want to move to lower house so situation is difficult. Next I will speak of the possible focus in the next election. I think defense matters won't be focused on. Just like US what Japanese public is interested in is economic matters and living conditions so I think prices and inflation will be issues. For the past few years the Japanese economy

(next page)

has been stable but recently wholesale prices have gone up and government is alarmed. Recently the Bank of Japan has raised the discount rate and has tried to take a contraction policy in the economy. Japanese public is worried about the energy situation but I don't think there will be panic like in 1973. The Japanese state of finance is in a catostrophic state and government is considering consumption tax but very unpopular so government is considering not mentioning till after election. As you know very well there are so called factions within LDP but very dangerous far career officials to mention. Career officials conducting own directional policy to these factions. However as far as defense policy is concerned there doesn't seem to be much difference among the factions, e.g., Fukuda Cabinet was considered hawk, Ohira dove but there was no change in policy. If we look at long-term prospect for political social situation in Japan it seems to me rather stable. Let me give you one example as proof of my statement -- public opinion poll in spring. Question was which social class do you belong. Upper, middle, low -- 87% said they belonged to middle or upper. 70% said more or less happy; 4% said unhappy. Majority answered they thought Japan was going in better direction. Although I don't know if living standard of Japanese is satisfactory or not; EC report said Japan is country of workoholics working in rabbit hutches might be true but

Japanese view that they are middle or upper class shows their stability. Although Japan public may not own nice houses they have money but government officials are exception.

Mr. McGiffert: Us too.

Mr. Watari: This concludes my remarks but since I gave you poll concerning defense problem, I'd like Mr. Ikeda to comment on it.

Mr. Ikeda: There is the poll of the PM office. Poll on SDF concerns GSDF but same tendency to ASDF and MSDF. Concerning reason for SDF -- maintaining security -- same as last year but fourth table -- future what role -- for national security - this is the first time. Page 4 compares 1969 and 1978. In 1978 68% favor MST, only 4% oppose. In 1968 12%. In 1978 young people greatly support; 84% they were the lowest in 1968. Big change.

Mr. McGiffert: Why is this?

Mr. Ikeda: I don't know. I'm too old.

Mr. Watari: They don't know about war and defects of old system.

Mr. Ikeda: Asahi(sp) Poll (not in the chart) in 1978 20 some percent said US will support Japan; 56% said US won't support.

Mr. Watari: I don't think we should put too much emphasis on this poll. Japanese have no experience in relying on someone else so people don't expect. Please don't understand

MY COMMENT THAT I mean that presence of US isn't important.

Mr. Ikeda: Last chart is monthly Japanese poll. Dislike Soviet percentage becomes greater.

Mr. McGiffert: How is US?

Mr. Ikeda: Highly likely; China is second and Korea is not likely.

Mr. Watari: Korea doesn't like Japan either. Second after USSR. This is very delicate.

Mr. Nakajima: Mr. Watari's explanation was very comprehensive, so I can't add anything but Asahi poll was mentioned saying 56% said US won't support. My personal view is there is some point to it. Some people do wonder if a foreign country would help us if they had to shed their blood. Poll may not be precise but it should be ignored so we constantly try to explain to the people about the credibility of the Japan US security relationship and we are trying to make treaty operate more smoothly by solving base problems, working with Gen. Ginn.

Mr. McGiffert: Perhaps Asahi polls shows fears of Japanese peoples, others the hopes. We support the hopes.

Mr. Nakajima: We are telling the people we should make operation smooth.

Mr. Ikeda: Don't use the Jyi press poll public. It is copysighted.

Mr. Tamba: I would like to make brief comment. Time is short. I was protestor against Security Treaty.

Mr. Watari mentioned changes. But buds are just coming up. We should not pour too much water. We need your help as before.

Mr. Sullivan: Education Ministry Poll is most interesting. Pro and con almost same till 1974 but then pro way up con down. Phase evaluation reason.

1) end of VN war; 2) normalization PRC; and 3) growth of Soviet power. How do you rate these?

Mr. Watari: The other day Mainichi(sp) introduced a chart mentioning what you say. They said 1973 was turning point and gap is ever increasing.

Mr. Okazaki: Can't say what is reason. Change of China attitude may have greatly influenced. May not agree with you that everything stable till 1974.

Mr. Nakajima: I think end of Vietnam war contributed Also oil shock alerted Japanese to dangers to security. Maybe not so much on Russian buildup as to change in 1974.

Mr. Watari: As you mentioned it is hard to single out individual factors, but everything you mentioned helped increase support.

Mr. McGiffert: How do you think over withdrawal from Vietnam contributed?

Mr. Nakajima: There was apprehension after your withdrawal and US was leaving all of Asia.

Mr. Okazaki: I personally feel there is a time lag. A few years ago there was view US was withdrawing from Asia.

I feel we know this isn't true and I feel this may change in a few years.

Mr. Nakajima: Your leaders ensuring that you will not withdraw, eg., Secretary Brown speech in Los Angeles last February is very helpful to ensure us you are not withdrawing. Also Secretary Brown's posture statement was very helpful.

Mr. Watari: Please let me make a final comment -- please don't put too much credibility of what is in Japanese press. Believe us.

Mr. Watanabe/Mr. Okazaki: That is striectly off the record.

Mr. McGiffert: I think our staffs have agreed about press guidelines.

Mr. Watari: As far as these are concerned working level agreements are fine with me.

Mr. McGiffert: We feel this might have been very useful. Appreciate your candor. Like to meet again next year. I suggest our staffs arrange a date next spring or summer.

Mr. Watari: July there is upper house election. National Diet schedule is unknown. Therefore difficult to say what we would like. I have a general idea of about this time next year or January of the following. But since we can't predict we'd like to consult with you.

Mr. McGiffert: Fine.

Mr. Watari: I would like to enjoy with you that this meeting has been very useful. I know preparations were

not easy, and I appreciate efforts of US personnel before and during the meeting. I am glad we could exchange views freely and frankly. I am happy for friendly relations with US. I think we can solve our problems together, and I would like to thank US participants headed by Mr. McGiffert.

Mr. McGiffert: Thank you. These discussions have been useful and very much appreciated by us. Please take Secretary Brown's greetings to Minister Yamashita and say we are looking forward to his visit.

Mr. Watari: Thank you.