

DEPARTMENT OF STATE
AMBASSADOR AT LARGE
WASHINGTON

MAY 11 1971

MEMORANDUM FOR THE PRESIDENT

As a result of my recently completed consultations with Japan, Taiwan, Hong Kong and Korea on the textile issue, I believe very strongly that we can now rapidly proceed to a mutually satisfactory resolution of the problem. To be sure, there remains much to be done in a negotiating round which, I propose, should commence with Taiwan on June 1, followed by Hong Kong on June 7 and Korea on June 15, with a wrap up visit to Japan at the end of the swing. Yet in my judgment, the way has been cleared to reach agreement. We must now move swiftly and surely toward that objective.

State Department review
completed

ON-FILE NSC RELEASE
INSTRUCTIONS APPLY

Japan:

In approaching Japan on the textile issue, I attempted, with success, to avoid any sort of confrontation. I chose to probe the Japanese appreciation of our difficulties while attempting to understand the political and economic ramifications of the issue in Japan. Such an approach required the very minimal of publicity. Consequently, I used by own channels of communications to arrange appointments and meetings, frequently with the very capable assistance [redacted] while avoiding the more customary means of relying upon the U.S. Embassy

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for such support. Even though the Ambassador and the Embassy tried repeatedly to become involved, I included them only in those instances where very general matters were discussed.

On reflection, I feel that such a procedure was absolutely crucial to the success of my visit and was so categorically informed by the Japanese. In fact, on two occasions, indiscretions on the part of the U.S. Embassy personnel (the Ambassador and the Deputy Chief of Mission) could well have resulted in a complete collapse of my efforts.

My initial contact in Japan was Finance Minister Fukuda with whom I had two 2-hour sessions. (Because of the political ramifications of the textile issue in Japan and its spillover effect on Minister Fukuda's political aspirations, I accepted the suggestion that he have no public role in the discussions. I shall, however, continue to work with him privately.) Minister Fukuda, in turn, arranged for me to meet with Prime Minister Sato, a meeting which lasted for two additional hours. The success of that meeting was undoubtedly enhanced by virtue of the fact that the Prime Minister [REDACTED]

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[REDACTED]

As a result of my discussion with Prime Minister Sato, I am convinced that he now fully appreciates the importance of achieving a settlement to the textile issue which you, Mr. President, find acceptable politically. He admitted that

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he and others did not adequately understand either the economic or political dimensions of the textile issue in this country. They had especially misread the political considerations. Prime Minister Sato emphasized at this point that such a misreading was by no means intentional.

The Prime Minister then asked me to work with former Prime Minister Kishi whom you know well and who promised you assistance in this matter earlier. In my subsequent discussion with Mr. Kishi, who by Prime Minister Sato's admission has the authority and influence to resolve the issue, he assured me that Japan will infact keep its textile exports to the U.S. within the growth limits - totally and by categories - which will be acceptable to the U.S. industry. To facilitate implementation of this commitment, he stressed the importance of our negotiating such agreements with Taiwan, Hong Kong and Korea.

Contributing further to the success of my visit was the welcome fact of good press coverage. The visit was portrayed as a series of discussions and consultations on matters of mutual interest. The confrontation theme never emerged.

Taiwan:

In Taiwan, I met privately with President Chiang Kai Chek and Vice Premier Chiang Ching Kue, the latter being quite helpful in sympathetically explaining the textile problem to

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his father. Yet both individuals stressed to us the importance of the textile industry in the Chinese economy and suggested that any limitations placed voluntarily on the growth and expansion of that industry be offset by comparable investment in other areas. In this respect, they expressed their interest in obtaining a steel mill while underlining the contributions of oil resource development to their economy.

As a result of these conversations, the Chinese have agreed to begin negotiations on June 1 which, they assured me, will be completed to our mutual satisfaction within three to five days. They expressed an understanding and appreciation of our problem. They repeatedly referred to their appreciation for our many and continued efforts in their behalf, all of which was rather remarkable in view of the timing of my visit. Recent developments in U.S.-Mainland China relations along with the off-shore oil moratorium imposed by the State Department obviously had a disconcerting impact in Taiwan which was needlessly intensified by State's inept handling in publically expressing U.S. intentions vis-a-vis the Republic of China.

Hong Kong:

My discussions in Hong Kong with Sir John Cowperthwaite resulted in his agreeing to begin negotiations on June 7 to be concluded within three to five days. He expressed understanding and appreciation of our problem, but he was careful to raise a number of considerations important to Hong Kong.

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Specifically, he wanted assurances from Japan that they would not retaliate against Hong Kong for reaching an acceptable agreement with the U.S. on textiles. I have relayed this concern to the Japanese and am currently awaiting a reply which, in my judgment, will indicate the sincerity of the Japanese commitment.

In addition, Sir John requested that I discuss the matter in London on my forthcoming European trip to gain British support for our efforts. I am currently attempting to arrange an appointment with Prime Minister Heath to this end.

Korea:

In my discussion with President Park, I emphasized the crucial nature and complexion of general U.S.-Korean relations and the necessity of focusing on that relationship rather than allowing the textile issue to receive inordinate prominence in our relations. I stressed that a very special relationship does indeed exist between the United States and Korea and that, consequently, commitments run in both directions. I recalled U.S. involvement and sacrifice in the Korean War and subsequent military and economic assistance. Against this background, I explained at some length the U.S. economic and political dimensions of the textile issue and urged that we move promptly to a resolution of the issue.

President Park called a Cabinet meeting following our conversation and directed the Cabinet to begin work immediately

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toward a mutually satisfactory agreement. He also asked that I meet on this specific issue with the Deputy Prime Minister and the Minister of Industry and Commerce which I did.

The result of these discussions was an agreement by the Koreans to begin negotiations on June 15 with an understanding that they will be concluded within three to five days.

Given the results of my trip, I recommend the following:

(a) that we move promptly to negotiate agreements with Taiwan, Hong Kong, and Korea beginning such negotiations with Taiwan on June 1 and ending our efforts by the end of June with a visit to Japan to keep our commitment there.

(b) that the negotiating team be headed by Tony Jurich of my staff and comprised of one representative each from the Departments of State, Commerce and Labor.

I shall be in each country with the negotiating team to guide the U.S. delegation as well as to bring pressure on the governments in question to assure prompt action.

(c) that I, and I alone, shall be completely in charge of all communications affecting the negotiations.

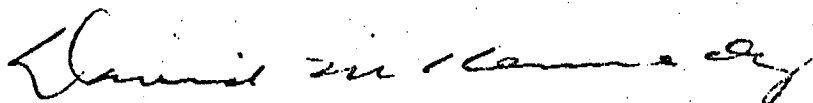
(d) that all other interested departments be informed of these procedures and understand totally and completely that they are to interfere in no way. For these negotiations

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to succeed, I must have the authority, jurisdiction, and freedom of interference outlined above.

(e) that you sign the attached memorandum to interested agencies informing them of your understanding.

A handwritten signature in cursive script, appearing to read "David M. Lawrence".

Attachment:

Proposed Memorandum.