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# WITHDRAWAL SHEET

## Ronald Reagan Library

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**FOIA ID:** F00-037 (1539), Oberdorfer  
**Date:** 02/02/2004

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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1. Summary	Of US-Japan Economic Sub-Cabinet Consultations, 14p	7/14-15/83	B1
2. Memo	Richard Levine to William Clark re Contract Manning of Naval Ships/Alaskan Oil for Japan, 2p <i>R 2/7/07 F00-037/1 #521</i>	7/28/83	<del>B1</del>
3. Talking Points	for Ed Meese re MSC Ships/Alaskan Oil for Japan, 2p <i>R 7/24/06 F00-037/1 #522</i>	nd	<del>B1</del>
4. Paper	Alaskan Oil for Japan, 1p <i>R " " #523</i>	nd	<del>B1</del>
5. Memo	Levine to Robert McFarlane re Alaskan Oil for Japan, 3p <i>R 2/7/07 " #524</i>	6/20/83	<del>B1</del>
6. Cable	220944Z SEP 83, 6p <i>R 7/24/06 F00-037/1 #524</i>	9/22/83	<del>B1</del>

### RESTRICTIONS

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TO KIMMITT

FROM HILL, C

DOCDATE 12 AUG 83

KEYWORDS JAPAN

ECONOMICS

SUBJECT: US - JAPAN ECONOMIC SUB-CABINET CONSULTATIONS / SUMMARY OF DISCUSSION

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ACTION: FOR RECORD PURPOSES DUE: STATUS C FILES PA

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United States Department of State

Washington, D.C. 20520

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TO:	NSC	- Mr. Robert Kimmitt
	Treasury	- Mr. David Pickford
	CEA	- Mr. William Niskanen
	USTR	- Mr. Dennis Whitfield
	Commerce	- Mrs. Helen Robbins
	Agriculture	- Mr. Raymond Lett
	Energy	- Mr. William Vitale
	Labor	- Mr. Robert Searby
	Interior	- Mr. Barry Allbright
	Transportation	- Mr. Logan H. Sallada

SUBJECT: U.S.-Japan Economic Sub-cabinet Consultations:  
Summary of Discussion

Attached are a Summary of Discussion of the U.S.-  
Japan Economic Sub-cabinet Consultations and a list of  
the two delegations.

*Corey*  
Charles Hill  
Executive Secretary

Attachments:  
As stated.

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*MAN 2/2/04*

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US-JAPAN ECONOMIC SUBCABINET CONSULTATIONS

Department of State, Room 1107

WASHINGTON, D.C.

JULY 14-15, 1983

US DELEGATION LIST

DELEGATION MEMBERS

Department of State

Allen Wallis	Under Secretary for Economic Affairs, Head of Delegation
Paul D. Wolfowitz	Assistant Secretary for East Asian and Pacific Affairs
Richard T. McCormack	Assistant Secretary for Economic and Business Affairs
Anthony C. Albrecht	Deputy Assistant Secretary for East Asian and Pacific Affairs
Denis Lamb	Deputy Assistant Secretary for Trade and Commercial Affairs
E. Allan Wendt	Deputy Assistant Secretary for International Energy Policy

Department of the Treasury

Beryl Sprinkel	Under Secretary for Monetary Affairs
Mark E. Leland	Assistant Secretary for International Affairs
Charles Schotta	Deputy Assistant Secretary for Arabian Peninsula Affairs
Robert A. Cornell	Deputy Assistant Secretary for Trade and Investment Policy

Office of the US Trade Representative

James M. Murphy, Jr.	Assistant US Trade Representative for Bilateral Affairs, Japan and Europe
----------------------	---

Department of Commerce

Lionel Olmer

Under Secretary for International Trade

Alfred Kingon

Assistant Secretary for International Economic Policy

Eugene Lawson

Deputy Assistant Secretary for East Asia and Pacific

Clyde V. Prestowitz

Deputy Assistant Secretary for International Economic Policy

Department of Agriculture

Alan Tracy

Deputy Under Secretary for International Affairs and Commodity Programs

Department of Energy

John Brodman

Acting Deputy Assistant Secretary for International Energy Security

Department of Labor

James Taylor

Acting Deputy Under Secretary for International Affairs

Council of Economic Advisers

William Niskanen

Member, CEA

National Security Council

Norman Bailey

Special Assistant to the President for National Security Affairs

American Embassy, Tokyo

William Piez

Minister for Economic Affairs

DELEGATION ADVISORS

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Desaix Anderson	Director for Japan
Teresita C. Schaffer	Director, Office of International Trade
John R. Malott	Deputy Director for Japan
Arnold J. Croddy, Jr.	Office for Japanese Affairs

Department of the Treasury

William E. Barreda	Director, Office for Trade Affairs
Joanna Shelton	Office for Japan

Office of the US Trade Representative

Jossep A. Massey	Director for Japan
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Department of Commerce

Maureen Smith	Director for Japan
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Department of Agriculture

Bryant Wadsworth	Assistant Administrator for International Trade Policy, Designate
------------------	---

Department of Energy

John Metzler	Office for International Affairs
--------------	----------------------------------

Department of Labor

Roger Whyte	Special Assistant to the Secretary of Labor
-------------	---

National Security Council

Douglas McMinn	Director of International Economic Affairs
----------------	--

7/9/83 632-3152 W2239J



US-JAPAN ECONOMIC SUBCABINET CONSULTATIONS

Department of State, Room 1107

WASHINGTON, D.C.

JULY 14-15, 1983

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Ryohei Murata	Director-General, Economic Affairs Bureau
Kiyohiko Nanao	Director, Second North America Division, North America Bureau
Mari Amano	Deputy-Director, Second North America Division, North America Bureau

Ministry of Finance

Mitsuo Sato	Deputy Director-General, International Finance Bureau
Minoru Yamada	Deputy Director-General, Customs and Tariff Bureau
Takehiko Kondo	Director, Second International Division, Customs and Tariff Bureau
Shozo Yamamoto	Deputy Director, Research Division, International Finance Bureau

Ministry of International Trade and Industry

Kunio Komatsu	Vice-Minister for International Affairs
Shigeo Muraoko	Deputy Director-General, International Trade Policy Bureau

Tadashi Izawa

Deputy Director, Americas  
Oceania-Division, International  
Trade Policy Bureau

Shin Yasunobe

Deputy-Director, General Affairs  
Division, Machinery Information  
Industries Bureau

Ministry of Agriculture and Fisheries

Hiroya Sano

Director-General, Economic Affairs  
Bureau

Yoichi Kameyama

International Economic Affairs  
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Economic Planning Agency

Akinori Marumo

Deputy Director-General,  
Coordination Bureau

Embassy of Japan

Michihiko Kunihiro

Minister for Economic Affairs

Makoto Utsumi

Minister for Financial Affairs

Jin Sawada

Minister for Commercial Affairs

Yuji Ikeda

Counselor for Economic Affairs

Hisao Azuma

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Counselor (Economic Planning)

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RECEIVED 03 AUG 83 11

TO CLARK

FROM LEVINE

DOCDATE 28 AUG 83

KEYWORDS JAPAN

OIL

MARITIME

SUBJECT UNION CONTRACT MANNING OF NAVAL SHIPS RE ALASKAN OIL FOR JAPAN

ACTION: FOR DECISION

DUE:

STATUS X

FILES SII

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CLARK

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The White House

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Bud McFarlane	<u>          </u>	<u>          </u>	<u>          </u>
Jacque Hill	<u>3</u>	<u>✓</u>	<u>          </u>
Judge Clark	<u>4</u>	<u>✓</u>	<u>A</u>
John Poindexter	<u>          </u>	<u>          </u>	<u>          </u>
Executive Secretary	<u>          </u>	<u>          </u>	<u>          </u>
NSC Secretariat	<u>          </u>	<u>          </u>	<u>          </u>
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MEMORANDUM

NATIONAL SECURITY COUNCIL

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ACTION

July 28, 1983

MEMORANDUM FOR WILLIAM P. CLARK

FROM: RICHARD B. LEVINE *[Signature]*

SUBJECT: Contract Manning of Naval Ships/Alaskan Oil for Japan

As I have mentioned in my weekly reports, I have been working with John Poindexter on the very difficult issue of union (contract) manning for naval ships.

During the 1980 campaign, Governor Reagan made a number of remarks to the effect that union manning of naval vessels should be increased (Tab II). To date the Administration has done more than any administration to increase the number of naval vessels that are contract crewed. During this Administration a total of 26 new ships were crewed with contract seamen. This increased the total of contract manned ships in the Military Sealift Command (MSC) to about 88 out of its 146 ships. MSC ships provide a variety of support functions for the Navy as well as the other services.

Although the Navy has opened up more ships for contract crewing, it has done so only with the MSC's point to point ships. The MSC also operates a number of scientific support ships as well as underway replenishment (UNREP) ships which support carrier battle groups while under steam. These ships are currently crewed by civil service seamen.

The Navy has resisted increasing the provision of contract manning to scientific support and UNREP ships because in the case of scientific support ships, security clearances would have to be granted, which is an increased expense. In the case of UNREP ships, the Navy is concerned about the command and control chain and strikes.

Upon much reflection, John Poindexter and I feel that all the MSC's ships could be opened up to contract manning on a competitive basis. This has already been done to an extent in the case of the competition between the civil service and various unions for our new T-1 point to point tankers. The unions lost this competition and are now suing the Navy. We must have competition to gain pay and other concessions from the unions, but it is doubtful that they will ever match civil service costs. We feel, however, that we should accept contract manning for the MSC if they come within 10-15% of civil service costs.

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BY 121 NARA.1 2/7/02

The strategic reason for paying this delta cost for contract manning is twofold. First it would free up naval civil service strength for shipyard work or to man naval auxiliary ships (this could result in cost savings over the present practice of Navy blue suit manning for these ships). Second, contract manning for the MSC fleet would create 4,339 union billets by 1989, this is over twice the number union billets expected to be lost by freeing up 200,000 bpd of Alaskan oil for export to Japan. Thus, by creating these MSC contract billets we should be able to gain union support (or at least silence their opposition) to our Alaskan Oil to Japan proposal. We would use a "carrot and stick" approach on this score.

If we also plus-up the Navy's budget by about \$100 million (spread over a number of years) so that the Navy could purchase the displaced Alaskan trade Jones Act tankers (about 30 tankers) for our Ready Reserve Fleet, we will have removed the two principle objections to freeing up oil for Japan -- namely, loss of union billets and US flag tankers.

We could further strengthen our hand on the Alaskan oil issue in Congress, if the Administration agreed to pursue a bilateral shipping agreement with Japan for future energy trades (Note: Such a bilateral would have to have the US flag operators ship on a cost competitive basis to the Japanese in order not to stifle the emerging energy trade. This might be accomplished by Japan paying a subsidy to the US shippers as a security cost to increase the western pool of military useable tankers, or by union pay concessions coupled with the reflagging of foreign flag vessels in anticipation of this trade).

RECOMMENDATION

That you allow John Poindexter and me to brief Ed Meese and give him the attached outline of this issue at Tab I. This whole area is very sensitive and I do not think that we should let DoD or anyone in the Navy know that we are involved in this issue at this time. Meese intends to personally bring this matter up with John Lehman. After that meeting I intend to back brief Lehman and cool the fires. Approve us bringing the issue up with Meese.

Approve \_\_\_\_\_



Disapprove \_\_\_\_\_

Concurrence: Ron Lehman and Norm Bailey WFM

Attachments

- Tab I Issue Outline for Meese Use
- Tab II Governor Reagan's 1980 Remarks

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TALKING POINTS FOR ED MEESE'S USE

CONTRACT MANNING OF MSC SHIPS/ALASKAN OIL FOR JAPAN

Proposal

- Announce as Administration's goal, contract manning for all MSC ships.
- Incremental program with lots of ships to go out for proposals.
- Contract manning subject to:
  - Resolution of command and control, strike, and security clearance issues (high priority on positive resolution of these issues).
  - Competitive contract manning costs (Navy, MARAD (DOT) and OMB to establish acceptable cost thresholds for contract manning and to jointly monitor and adjudicate bid competitions).
- Strategic Intent of Contract manning is threefold:
  1. Increase number of lifelong merchant seamen for emergency wartime shipping.
  2. Free up approximately 4,400 naval civil service billets for use in Navy shipyard base and/or use displaced civil service seamen to free up Navy seamen from Navy auxiliary ships in order so that they could man new combatants entering the fleet. (Cost savings are expected per CIVMAN study.)

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BY LOJ, NARA, DATE 7/24/06

3. To create a greater number of contract billets (approximately 4,400 for all MSC ships), than those lost (2,100 in freeing up 200,000 bpd of Alaskan oil for export to Japan).

Recommendations

- Navy frame statement to the effect that it is the Administration's goal to open all MSC billets for contract manning if certain conditions are met.
- Navy (OSD) joins interagency group composed of, among others, representatives from MARAD (DOT), OMB and chaired by the White House (NSC) to implement this proposal and to integrate it with Administration plans to free 200,000 bpd plus newly discovered Alaskan oil for export to Japan.



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Attachment

ALASKAN OIL FOR JAPAN

Proposal

-- Free up 200,000 bpd, (plus newly discovered) Alaskan oil for export to Japan.

Pros

-- Improves trade, energy (oil, gas and coal) security with Japan (Korea). Improves economic efficiency and allows for increased investment-development-production of Alaskan energy resources, increased federal revenues.

Cons

-- Displaces about 2,100 seamen.  
-- Causes idling of about 30 militarily useful tankers (i.e., 80,000 tons and below).

Solution

-- Increased MSC billets for contract seamen to avoid their displacement.  
-- White House directive to plus-up Navy budget to allow purchase, upkeep of displaced tankers in Ready Reserve Fleet (RRF).  
-- Attempt to negotiate a bilateral agreement with Japan for 50-50 U.S. flag-Japanese flag carriage of future energy trade (terms, to be developed but might include Japanese subsidy of U.S. flag shipping to increase western pool of tankers for emergency preparedness).

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BY LOI NARA, DATE 7/24/06

Excerpts from speech by Governor Ronald Reagan to the National Maritime Union, St. Louis, Missouri, October 9, 1980

"Our merchant marine is a vital auxiliary to the U.S. Navy. At a time when the Navy's support capability is open to serious question, we should be increasing the merchant marine's role-- and we are not.

We know that integrated commercial support of the Navy is possible. The SS Erna Elizabeth proved that eight years ago in a demonstration planned by a previous Republican administration. Today, however, the Carter administration acts like that demonstration never took place.

Jimmy Carter's Assistant Secretary of Commerce for Maritime Affairs was recently asked if there were plans to augment the Navy's uniformed manpower by merchant marine personnel. This came after the skipper of the Navy Oiler Canisteo refused a sailing order because his ship was too short-handed to carry out its mission.

And the Assistant Secretary replied "that the administration is considering an experimental effort to test the capability of merchant seamen and contract with them to man naval auxiliary vessels and naval support vessels..." In California, this sort of response is called a "laid back attitude." Is it possible that the top maritime executive in the Carter administration is totally unaware of the Erna Elizabeth's performance? Eight years ago, as many of you know, this 55,000 ton U.S.-flag tanker steamed 15,000 miles and refueled some 40 Navy ships, including the carrier John F. Kennedy.

The experiment worked well. The refuelings were on time. There was no ship damage. There was no personnel injury. The Chief of Naval Operations said that the test "proved the feasibility of using commercial tankers to consolidate Navy replenishment ships and to provide limited replenishment of combatant ships." And after all this, eight years ago, the Carter administration is now "considering" an experimental effort.

I know, and you know, that the maritime industry can assume any Navy support functions. It will save the Navy money, and it will release trained sailors to man the new ships my administration will build for the fleet. This kind of integration and cooperation will strengthen our defense, strengthen our maritime industry, and provide the American taxpayer with the most for his money."

July 13, 1983

Mr. McFarlane:

Richard Levine would like to see you for 5-10 minutes sometime today. He has tried to avoid bothering you by working with Adm Poindexter but did not know JMP would be away all week.

He has a couple of items which he really needs to discuss with you.

May I schedule a brief appt today?

\_\_\_\_\_ Yes

\_\_\_\_\_ Prefer: \_\_\_\_\_

Other: \_\_\_\_\_

*What is it about?*

Wilma \_\_\_\_\_

*#4822?  
Needs to go to  
Agg Thurs 7/14*

*Maritime Materials Program*

*See issue (subsequently, sent paper  
on this*

---

THE WHITE HOUSE  
WASHINGTON

7/28

GMP,

REM never met w/  
Levin. Assume you  
are handling?

~~Yes~~  
f

Klm

OBE

THE WHITE HOUSE  
WASHINGTON

June 20, 1988

Mr. McFarlane:

Richard Levine accompanies attached memo with a request to meet with you to discuss Alaskan Oil for Japan -- it involves some personalities and it is much better to do it face-to-face.

Okay

No; he should handle the issue and seek guidance via memo

Other: \_\_\_\_\_

Wilma

*Wilma, 6/25  
Please set up above  
appointment.  
J*

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SYSTEM II  
90925

MEMORANDUM

NATIONAL SECURITY COUNCIL


~~CONFIDENTIAL~~

EYES ONLY

ACTION

June 20, 1983

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: RICHARD LEVINE   
SUBJECT: Alaskan Oil for Japan

RCM HAS SEEN

Sorry I just missed you this past Saturday, I wanted to talk with you about Alaskan oil to Japan. I did, however, have a good chat with John Poindexter late Friday in which I expressed some of my concerns. Let me explain:

This past Friday (June 17th) through Ron Lehman I got calls from Nunn's staff and Wayne Army of Tower's staff, concerning a complex maritime issue involving a possible DOT regulation change that would allow very large US Flag subsidized (Construction Differential Subsidy) Tankers to enter the Alaskan oil trade. Previously these large tankers had been barred from the Alaskan oil trade because they were subsidized. The defense issue here is that by allowing these large tankers into the Alaskan oil trade, they would knock smaller, militarily useful tankers out of this trade. The Navy has been quite concerned about the impact such a regulation change would have on our refined fuel carriage capability.

I was surprised by these two calls since I have been assured by Admiral Hal Shear (head of MARAD) two weeks ago, that DOT would not allow the large tankers into the trade until a full review of the issue and its defense implications was completed; the Navy would be involved in such a review and it would take some time to complete.

After the staff meeting on Friday, I ran into Norm Baily and Roger Robinson who told me that they had just met recently with the head of one of the major maritime unions and the union head supposedly agreed on his union's support for the Alaskan oil to Japan in return for letting the large tankers into the Alaskan trade as well as having all MSC ships manned by union merchant seamen! Norm thought this was a good deal! Such a conversation perhaps explains why Tower's and Nunn's staff were suddenly concerned about the large CDS tankers being allowed to enter the Alaskan trade. Aside from this, I am very concerned that in order to win Hill support to free up Alaskan oil for sale to Japan, we might be cavalierly considering bargains that could severely impact on the health of the US Merchant Marine as well as Navy budget costs.

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BY NOT, NARA, DATE 2/7/02

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In talking with John Poindexter this past Friday, John made the wise suggestion that I try to ensure a proper balanced view of the Japan oil question by Ron Lehman making it clear to Norm that the defense group must be represented in meetings on the Alaskan oil for Japan issue. Ron and I will do this, for I have discovered that coordination on this issue has been spotty at best in the recent past.

My reason for writing this memo is not to complain about how this issue is being handled but rather to present you with some issues that I feel should be answered to determine how best we should proceed.

In a previous memo on this subject (attached), I noted that sale of Alaskan oil to Japan would have, according to Navy analysis, a severe but not crippling impact on our tanker mobilization requirements. I went on to raise the question of why we could not seek to get the Japanese to pay the delta cost of shipping the oil to Japan in US and Japanese flag militarily useful sized ships on a 50-50 basis. I still think this is a valid avenue of approach that might sooth Hill concerns without us having to consider bargaining for maritime union support (I think there is real danger in this -- both in terms of programs and fairness). I had asked MARAD some time ago for an analysis of the increased costs to Japan in shipping the oil in this way. I understand this review is almost done and it could serve as a departure point for further discussion of this concept.

A more fundamental question that I have is why our emphasis is being placed on freeing up Alaskan oil for sale to Japan instead of winning Japanese support for Alaskan coal and gas development and sales? Right now Japan, of course, buys no Alaskan oil and they do just fine. If we are able to sell oil to Japan it will lower our bilateral trade deficit but not our overall trade deficit since we will have to replace the Alaskan oil for US use with foreign oil. (As such, by artificially lowering only the US-Japanese trade deficit, but not the US overall trade deficit, we are removing pressure on the Japanese for them to moderate their trade surplus with us).

It seems to me, ~~that~~ selling oil to Japan because of its marginal value to Japan, will not have any impact on whether Japan finally decides to develop Alaskan gas and coal. Either such a development is in Japan's economic and security interests or it is not. I cannot see how selling fungible oil to Japan will sway them on a multi-billion dollar investment decision. I have heard the arguments that we must sell Alaskan oil to Japan on commercial terms as a sign of good faith that will promote their investment in other US energy developments. I know we are doing Japan no favor in their eyes by pushing "energy cooperation" on them, but in the context of the US-Japan relationship Japan benefits enormously, be it in the provision of our defense umbrella, our markets, or our technology.

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3

I believe we should call the debt Japan owes us due and either pursue the Alaskan Oil to Japan issues by making Japan pay the "security costs" by shipping on militarily useful sized vessels or by moving ahead to push Japanese development of US gas and coal noting that Japan should begin to fulfill their end of our economic and security relationship.

I do believe we must pull closer to Japan but we should clearly seek reciprocity in our relationship.

I would appreciate you keeping this memo private for obvious reasons. I will provide you with more information on this issue as it comes in and I look forward to hearing your views on this matter.

I think you and/or the Judge should meet this week with George Sawyer (AsstSecNav for S&L) on a confidential basis to get the real facts about the defense ramifications of this issue. George is about to leave government and go back to industry, so he will give it to you straight.

RECOMMENDATION

That you allow me to set up a private meeting with George Sawyer, Ron Lehman and myself.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Attachment

OBE

Tab A Levine Alaskan Oil Memo of May 3rd (C)

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WHITE HOUSE SITUATION ROOM

PAGE 01 OF 03 TOKYO 8598  
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WHITE HOUSE FOR PRESIDENT REAGAN  
STATE FOR SECRETARY SHULTZ  
NSC FOR JUDGE CLARK  
E.O. 12356: DECL: OADR  
TAGS: ENRG JA US  
SUBJECT: SECRETARY HODEL'S MEETING WITH FOREIGN  
- MINISTER ABE

1. a- ENTIRE TEXT.

2. SUMMARY. IN HIS MEETING WITH FOREIGN MINISTER ABE, SECRETARY HODEL RAISED TWO ISSUES: WORK OF US-JAPAN ENERGY GROUP AND IRAN/IRAQ WAR. ABE STRESSED IMPORTANCE OF ENERGY IN OVERALL US-JAPAN RELATIONS, AND SAID HE WAS PLEASED PROGRESS HAD BEEN MADE IN THE ENERGY GROUP. HE SAID THAT SINCE THE ISSUE WAS IMPORTANT TO BOTH THE PRESIDENT AND PRIME MINISTER, HE HOPED THAT CONTINUED PROGRESS COULD BE MADE IN THE NEXT FEW WEEKS TO

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NLS F00-037/1#525

BY LBJ, NARA, DATE 7/24/06

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FACILITATE A POSITIVE OUTCOME DURING THE PRESIDENT'S VISIT. ON THE IRAN/IRAQ WAR, ABE SAID HIS VISIT TO THE REGION LEFT HIM WITH A SENSE OF CRISIS. HE WAS AFRAID IRAQ MIGHT BE BACKED INTO A CORNER AND THEN FEEL IT WAS NECESSARY TO USE THE FRENCH MISSILES, LEADING TO AN IRANIAN ATTEMPT TO BLOCKADE THE GULF, AND AN EXPANSION OF THE WAR. HE ADDED THAT THE OIL SPILL IF LEFT UNCHECKED MIGHT IMPEDE COMMERCE. SECRETARY HODEL URGED HIM TO CONTINUE THE DIALOGUE AND KEEP US INFORMED. END SUMMARY.

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3. DURING MEETING WITH FOREIGN MINISTER ABE SEPTEMBER 21, SECRETARY HODEL SAID THAT HE HAD TWO MAIN POINTS HE WANTED TO DISCUSS WITH THE FOREIGN MINISTER: THE PROGRESS OF THE US-JAPAN WORKING GROUP ON ENERGY AND THE IRAN/IRAQ CONFLICT.

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4. CONCERNING THE US-JAPAN WORKING GROUP ON ENERGY, THE SECRETARY WAS PLEASED TO NOTE THAT PROGRESS HAD IN FACT BEEN MADE, AND HE WAS SURE THAT THIS WAS AN ISSUE THAT THE PRESIDENT WOULD LIKE TO TALK ABOUT DURING HIS VISIT IN NOVEMBER. THE UNITED STATES IS INTERESTED IN BEING A LONG-TERM ENERGY SUPPLIER TO JAPAN, AND WE REALIZE THAT IT IS IMPORTANT FOR US TO TAKE STEPS SO THAT WE WILL BE SEEN AS A RELIABLE SUPPLIER. HOWEVER, JAPAN ALSO NEEDS TO TAKE STEPS TO EXPRESS AN INTEREST IN US ENERGY, OR DEVELOPMENT MAY LAG.

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5. ABE SAID THAT HE TOO UNDERSTOOD THAT PROGRESS HAD BEEN MADE, AND HE HOPED THAT THE TALKS WOULD BEAR FRUIT BEFORE THE PRESIDENT'S VISIT. JAPAN IS THE LARGEST IMPORTER OF ENERGY IN THE WORLD, AND ALTHOUGH DEMAND IS CURRENTLY LOW, ABE SAID THAT HE EXPECTED DEMAND TO INCREASE IN THE MID TO LONG TERM AS THE WORLD AND JAPANESE ECONOMIES CONTINUED THEIR RECOVERIES. HE STRESSED THAT JAPAN SEES THE UNITED STATES AS AN IMPORTANT

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SOURCE OF SUPPLY FOR ENERGY. CONCERNING ALASKAN OIL. ABE SAID THAT WHEN HE WAS MITI MINISTER LAST YEAR, HE HAD HAD THE HONOR OF MEETING WITH PRESIDENT REAGAN TO REQUEST THAT THE US LIFT THE ALASKAN OIL EMBARGO, AND HE CONTINUED TO BE INTERESTED IN THIS HAPPENING. HE ALSO THOUGHT THAT THERE WERE POSSIBILITIES IN THE LONG TERM FOR ALASKAN GAS AND WESTERN COAL, ALTHOUGH THERE WERE A NUMBER OF BOTTLENECKS THAT NEEDED TO BE RESOLVED. ONE WAS THAT WESTERN COAL WAS MORE EXPENSIVE THAN AUSTRALIAN COAL, AND OF COURSE THERE WAS THE OIL EMBARGO. ALTHOUGH IT WAS ULTIMATELY THE PRIVATE FIRMS THAT WILL ACTUALLY IMPORT ENERGY FROM THE US, ABE SAID THAT THE GOJ LIKED TO TALK ABOUT THE ISSUE AND ANY PROBLEMS IN THE BROAD CONTEXT OF US-JAPAN RELATIONS. ABE CONCLUDED HIS COMMENTS ON THIS ISSUE BY SAYING THAT HE KNEW THAT THE PRESIDENT WAS DEEPLY INTERESTED IN THIS ISSUE, AND THAT THE PRIME MINISTER WAS EQUALLY INTERESTED, THUS HE STRONGLY HOPED FOR POSITIVE RESULTS BY THE TIME OF THE VISIT.

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6. SECRETARY HODEL SAID THAT HE WAS PLEASED TO HEAR THE FOREIGN MINISTER EXPRESS AN INTEREST IN US ENERGY, BECAUSE SUCH EXPRESSIONS OF JAPANESE INTEREST WOULD BE VERY HELPFUL TO US WITH THE CONGRESS. FOR EXAMPLE, CONCERNING THE OIL EXPORT PROHIBITION, THERE ARE THOSE IN CONGRESS WHO QUESTION WHY WE SHOULD LIFT IT IF THERE IS NO MARKET OR INTEREST IN JAPAN.

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7. CONCERNING THE IRAN/IRAQ CONFLICT, SECRETARY HODEL SAID THAT WE HAVE INFORMATION THAT IRAQ MAY BE PLANNING ON USING THE FRENCH MISSILES AGAINST IRAN, AND IF THEY DID THERE WAS A DANGER THAT IRAN WOULD ATTEMPT TO BLOCKADE THE GULF. AS A RESULT, FROM THE ENERGY VIEWPOINT,  
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THE SECRETARY SAID THAT HE HAD PUT DOE ON A RAPID READY  
BASIS TO DEAL WITH ANY OIL CUT-OFF. THE SECRETARY SAID  
HE WAS PARTICULARLY WORRIED ABOUT AN ENERGY PANIC IN THE  
CASE OF A PROBLEM, AND HOPED WE WOULD BE ABLE TO AVOID  
SUCH AN EVENT. HE SAID THAT SINCE THE FOREIGN MINISTER  
HAD RECENTLY VISITED BOTH IRAN AND IRAQ, HE WOULD BE  
VERY INTERESTED IN HIS IMPRESSIONS AND OPINIONS.

8. ABE SAID THAT HE RETURNED FROM HIS VISIT WITH A  
SENSE OF CRISIS. THE CONFLICT IS STILL LIMITED TO A  
BORDER WAR, BUT HE HAD THE FEELING THAT IT COULD QUICKLY  
EXPAND TO INCLUDE THE WHOLE GULF REGION IF LEFT UNCHECKED.

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IRAQ MIGHT VERY WELL BOMB KHARIO ISLAND, AND THEN IRAN WOULD TRY TO BLOCKADE THE GULF. (ALTHOUGH THERE IS A QUESTION ABOUT WHETHER THEY ACTUALLY HAVE THE CAPABILITY TO DO SO), IMMEDIATELY EXPANDING THE WAR. ABE SAID THAT HE HAD TOLD BOTH IRAN AND IRAQ THAT WAR IS USELESS, AND THAT THEY SHOULD TALK AND RESOLVE THEIR PROBLEMS. HE SAID THAT HE BELIEVED THAT IRAQ WAS READY TO STOP FIGHTING AND BEGIN TALKING, BUT THAT IRAN, UNDER THE FANATICAL RULE OF KHOMENI, WOULD NOT QUIT UNTIL THEY WIN. LOOKING AT THE SITUATION OBJECTIVELY, IRAN HAS THE LARGER POPULATION AND MORE RESOURCES, SO THEY SHOULD EVENTUALLY WIN. HOWEVER, IF IRAQ IS PUSHED IN A CORNER, THEY MAY USE THEIR NEW MISSILES, LEADING TO THE EXPANSION OF THE WAR. ABE SAID THAT THE GOJ HAD AGREED TO CONTINUE TO TALK WITH BOTH COUNTRIES, AND THAT HE IS SCHEDULED TO MEET THE FOREIGN MINISTERS OF BOTH IRAN AND IRAQ AT THE UN GENERAL ASSEMBLY SESSION IN NEW YORK. THE ISSUE OF THE OIL SPILL REMAINS A BIG PROBLEM, OF COURSE, NOT ONLY FOR IRAN AND IRAQ, BUT FOR THE WORLD, SINCE OIL IS A COMMON ASSET OF MANKIND.

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9. IN RESPONSE, THE SECRETARY SAID THAT THE GOJ WAS UNIQUELY SITUATED TO HAVE A DIALOGUE WITH BOTH IRAN AND IRAQ, AND WE WISH JAPAN THE UTMOST SUCCESS IN THIS REGARD. HOWEVER, WE ARE PREPARING FOR THE WORST CASE, AND IF THAT SHOULD HAPPEN, THE SECRETARY SAID THAT HE LOOKED FORWARD TO CLOSE COOPERATION WITH JAPAN TO MINIMIZE THE EFFECT OF THE CRISIS ON OUR TWO COUNTRIES. ABE SAID THAT HE FULLY AGREED, AND SAID THAT JAPAN WOULD CONTINUE ITS EFFORTS, EVEN THOUGH BOTH IRAN AND IRAQ WERE AWARE OF THE CLOSE RELATIONSHIP BETWEEN THE US AND JAPAN. HE ADDED THAT BOTH IRAN AND IRAQ APPEARED SUSPICIOUS OF THE US. THE IRANIANS HAD TOLD HIM THEY BELIEVED THE US FAVORED AND SUPPORTED IRAQ, AND IN BAGHDAD, THE IRAQIS ASKED IF THE US WAS SUPPLYING IRAN WITH ARMS CLANDESTINELY.

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10. COMMENT: ABE IS CLEARLY AWARE OF THE IMPORTANCE OF ENERGY TO THE BROADER US-JAPAN RELATIONSHIP, AND APPEARS TO SINCERELY DESIRE PROGRESS IN THE JOINT WORKING GROUP BEFORE THE PRESIDENT'S VISIT. HOWEVER, HE ALSO REALISTICALLY RECOGNIZES THAT THE SUPPLY AND DEMAND SITUATION IS SUCH THAT MOST CONCRETE RESULTS WILL BE IN THE MEDIUM TO LONG TERM. HIS ASSESSMENT OF THE IRAN/IRAQ CONFLICT SPEAKS FOR ITSELF, AND WE CAN ONLY ENCOURAGE THE GOJ TO CONTINUE ITS DIALOGUE WITH BOTH PARTIES AND TO CONTINUE TO ADVISE CAUTION AND RESTRAINT.

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