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Date: February 7, 1997

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. schedule	the Secretary's Hong Kong schedule (1 pp.)	n.d.	P1
2. scenario	re arrival in Hong Kong 2/8 (1 pp.)	n.d.	P1
3. scenario	re meeting with ConGen staff 2/8 (1 pp.)	n.d.	P1
4. scenario	re opening Chiefs of Mission conference 2/8 (1 pp.)	n.d.	P1
5. scenario	re continuing Chiefs of Mission conference 2/9 (1 pp.)	n.d.	P1
6. scenario	re cocktail reception 2/8 (1 pp.)	n.d.	P1
7. scenario	re Secretary's lunch with Governor Youde 2/9 (2 pp.)	n.d.	P1
8. scenario	re Hong Kong informal meeting with the press 2/10 (1 pp.)	n.d.	P1
9. comments	re the Northeast Asian Trip (10 pp.)	1/24/83	P1

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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
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HONG KONG

SCHEDULE

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EAST ASIA AND PACIFIC CHIEFS OF MISSION CONFERENCE
PARTICIPANTS

Department

Secretary of State George P. Shultz

Under Secretary for Security Assistance, Science and
Technology William Schneider

Under Secretary for Management Jerome W. Van Gorkom

Assistant Secretary for East Asia and the Pacific Affairs Paul
D. Wolfowitz

Assistant Secretary for Public Affairs and Department
Spokesman John Hughes

Director, Bureau of Politico-Military Affairs Jonathan Howe

Assistant Secretary Designate for Economic and Business
Affairs Richard T. McCormack or his representative

Executive Assistant to the Secretary Raymond Seitz

Director General of the Foreign Service and Director of
Personnel Joan M. Clark

Deputy Assistant Secretary for East Asia and the Pacific
Affairs Thomas P. Shoesmith

Deputy Assistant Secretary for East Asia and the Pacific
Affairs Anthony C. Albrecht

Deputy Executive Secretary of the Department Charles Hill

Director, Office of Regional Affairs, Bureau of East Asia and
the Pacific Affairs, Paul F. Gardner

Executive Director, Bureau of East Asia and the Pacific
Affairs, John Condayan

Guest Participants

CINCPAC - Admiral Robert L. J. Long

Political Advisor to CINCPAC - John J. Helble

Ambassador to the Asian Development Bank John A. Bohn, Jr.

DOD - Deputy Assistant Secretary for International Security Affairs Richard Armitage

The President's Personal Representative for Micronesia Status Negotiations, Ambassador Fred M. Zeder

Department of Commerce Deputy Assistant Secretary for East Asia the Pacific Eugene Lawson

NSC Senior Staff Member Gaston Sigur

AID - Assistant Administrator for Asia Charles W. Greenleaf, Jr.

USIA - Director for East Asian Affairs Clifton B. Forster

CIA - National Intelligence Officer for Asia, David Gries

Chiefs of Mission

AUSTRALIA	Ambassador Robert D. Nesen
BURMA	Ambassador Patricia M. Byrne
CHINA	Ambassador Arthur W. Hummel, Jr.
FIJI	Ambassador Fred J. Eckert
INDONESIA	Ambassador Designate John H. Holdridge
JAPAN	Ambassador Michael J. Mansfield
KOREA	Ambassador Richard L. Walker
LAOS	Charge d'Affaires William W. Thomas, Jr.
MALAYSIA	Ambassador Ronald D. Palmer
NEW ZEALAND	Ambassador H. Monroe Browne
PAPUA NEW GUINEA	Ambassador M. Virginia Schafer
PHILIPPINES	Ambassador Michael H. Armacost
SINGAPORE	Ambassador Harry T. Thayer
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PUBLIC STATEMENTS

PRESS THEMES FOR HONG KONG

IMPORTANCE OF REGION

-- My visits to Tokyo, Beijing and Seoul and my discussions with our Ambassadors here in Hong Kong have reaffirmed my conviction that the U.S. has over-riding interests in Asia and an essential role to play here.

-- I came away from these consultations with our Chiefs of Mission with the view that East Asia is a strong, viable, relatively stable region. Nations here are in charge of their own destinies and resistant to challenges from inside or outside the region.

-- For their part our Ambassadors believe our relationships with our key friends and allies are healthy and growing stronger. The United States determination to play its appropriate role, politically, economically and in security areas is understood and supported.

-- A combination of factors -- economic vitality of free market societies, strategic sea lanes, and an abundance of natural and human resources -- make this region vitality important to us.

-- It is our largest overseas trading partner and many of my discussions have centered, of course, on revitalizing the world's market economy in which all of us have such great stake.

MORE CONTACT

-- This trip is the first in a series of meetings planned with Asian leaders this year. I expect to be meeting with ASEAN foreign ministers in their postministerial meeting in Bangkok in June. We will host the ANZUS Ministerial Meeting in Washington in July. There will, of course, be a number of other contacts at UNGA and elsewhere so that by the end of the year I will have touched base with most East Asia and Pacific leaders.

VITAL RELATIONSHIPS

-- I have already addressed the fundamental importance of our relationships with Japan, China and Korea at previous stops. Beyond that however, today I want to stress the importance we give to the region as a whole, particularly to ASEAN, ANZUS, and the nations of the Pacific.

-- Our strong relationship with the ASEAN group of nations is the cornerstone of our policy in Southeast Asia. By continuing to work with these dynamic, free societies we expect to be able to help them sustain economic growth and stability in their own countries, and promote a resolution of the continuing conflict in Kampuchea which threatens peace in the region.

-- Our ANZUS partners have not only assumed important responsibilities in furthering the economic development and security of its neighbors in Southeast Asia and the Pacific but are contributing significantly to the resolution of problems far from their shores.

-- The Asia leaders I met clearly share our assessment of current challenges. We intend to continue to work with nations of the region in a style and manner acceptable to them, to meet common goals of sustaining growth and stability.

HONG KONG:1997

Q: Was the subject of Hong Kong's future raised in your discussions with Chinese leaders? What is the U.S. position on Hong Kong's future status?

A: The U.S. has extensive economic, commercial, and human ties with Hong Kong. Naturally, we hope the issue of Hong Kong's future will be resolved in a manner which preserves the stability and prosperity of Hong Kong. However, the U.S. considers the question of the future of Hong Kong a matter to be resolved by China and the United Kingdom.

U.S. Relations with ASEAN

Q: How do we assess our developing political and economic relations with ASEAN?

A: ASEAN is of central importance to U.S. policy in Southeast Asia. Politically, we have worked closely together to address the threat to regional security resulting from the Vietnamese invasion of Kampuchea. ASEAN plays an important role internationally and its moderate pragmatic approach on global issues is usually consistent with U.S. interests.

Economically, ASEAN has emerged as our fifth largest trading partner, with trade in 1981 exceeding \$23 billion. Private sector ties, both trade and investment, continue to flourish. The U.S. meets annually with ASEAN in an ongoing economic dialogue, most recently in Washington in March of this year.

In sum, our relationship with ASEAN is broadly based on shared interests. I hope to attend the June 1983 meeting of ASEAN Foreign Ministers in Bangkok where we will discuss how these interests can best be advanced.

January 26, 1983

POW/MIA's

Q: What has been done recently to help resolve the problem of POW/MIA's from the Vietnam War?

A: We are deeply concerned over this issue which has caused so many families such anguish for so many years. This Administration attaches the highest priority to resolution of this issue and will do everything feasible to achieve progress.

We are pleased by recent indications that the Lao Government may be willing to cooperate in resolving the cases of Americans missing in Laos. In December, we despatched a technical team from Bangkok to Hanoi to continue discussions on the technical aspects of this humanitarian problem.

January 26, 1983

US/VIETNAM

Q: Don't our efforts to isolate Vietnam internationally on account of Kampuchea simply push Hanoi further into the Soviet camp and prevent us from getting Vietnamese cooperation on MIA's?

A: We strongly support ASEAN's strategy of isolating and pressuring Vietnam to negotiate a Kampuchea settlement. Diplomatic and economic pressures are having an effect and, if sustained, may lead Hanoi to opt to end its isolation by withdrawing from Kampuchea and agreeing to restore Khmer independence and neutrality.

It is Vietnam's actions, not ours, which have isolated Hanoi internationally. Acquiescence in Vietnam's aggressive actions in Kampuchea would probably strengthen the Vietnamese relationship with the Soviet Union in gratitude for Soviet support. Such acquiescence might well cause Vietnam to draw out resolution of the POW/MIA issue in order to extract further political concessions.

We cannot consider normalization of relations with Hanoi as long as Vietnam occupies Kampuchea and in other ways destabilizes the region. Hanoi must realize that it is in its own interest to withdraw from Kampuchea and live in peace with its neighbors.

January 26, 1983

UN: DK SEATING

Q: Why does the U.S. vote to seat the Khmer Rouge in the UN?

A: Despite our abhorrence of the atrocities committed by the Khmer Rouge, the U.S. has voted to seat Democratic Kampuchea on technical grounds. In the absence of a superior claimant, there is no basis for rejection of DK credentials, which have been accepted since 1975. The regime installed in Phnom Penh by the Vietnamese certainly cannot be regarded as a superior claimant. Seating this regime would indicate international acceptance of a regime imposed by foreign aggression. Democratic Kampuchea was broadened in July 1982 with the formation of a resistance coalition which includes non-communist leaders. This development was partly responsible for an increase in support at the end of last year for seating Democratic Kampuchea. Ninety UN members voted against a Vietnamese-promoted effort to reject DK credentials, 13 more than the previous year.

January 26, 1983

ASEAN STRATEGY

Q: Does USG policy on Kampuchea have any prospects for influencing developments there?

A: The US strongly supports ASEAN's strategy for a political solution in Kampuchea based on the principles of complete withdrawal of Vietnamese forces and of Khmer self-determination. We believe that ASEAN's approach has the best chance of producing such a comprehensive political settlement.

The formation of the resistance coalition, encouraged by ASEAN, has increased political pressure on Vietnam to negotiate. Voting in the 1982 UN General Assembly on both Kampuchean credentials and an ASEAN-proposed resolution on a settlement produced increased majorities against Vietnam's policies in Kampuchea.

Hanoi's policies have bankrupted Vietnam. Vietnam is deeply in debt and cut off from Western capital it needs for development. ASEAN's strategy encourages Vietnam to end its occupation of Kampuchea, participate in a settlement there, and cease its threat to the region.

January 26, 1983

KHMER RELIEF PROGRAM

Q: Will the US contribute to the United Nations emergency relief program for Kampuchea in 1983?

A: -- We have supported emergency relief for all Kampuchians, no matter where located, to avert suffering and starvation. Because of generally improved conditions inside Kampuchea and the end of the emergency there, we do not intend to contribute in 1983 to the internal relief program.

-- More than 200,000 Kampuchians remain on the Thai Kampuchean border, largely dependent on emergency international assistance for their survival. The US will contribute in 1983 \$7.3 million to United Nations Programs for these people.

January 26, 1983

January 26, 1983

LAO-US RELATIONS

Q: What is the US attitude toward Laos?

A: Despite the presence of 50,000 Vietnamese troops, Laos retains a degree of autonomy. We have long had an Embassy in Laos to pursue normal relations and progress on bilateral issues of importance to the US like MIA's. Over the past year, the Lao have indicated a willingness to improve relations with the US. In September, the Lao Government accorded a friendly and cooperative reception to a visiting delegation of the US League of Families of MIA's and began permitting broader USG contact within the Lao Government. We have indicated that if Laos took concrete steps on bilateral issues of concern to us, we would be prepared to improve our overall relations.

We have made unmistakably clear our firm support for the ASEAN position on Kampuchea and that improvement in our bilateral relations will not alter our policies toward Vietnam and Kampuchea.

CHINA: TRADE ISSUES

Q: What progress was made in discussing trade problems with China?

A. We had frank discussions with Chinese leaders on the international economic situation and our bilateral trade issues. The views and concerns of both sides were reviewed. There has been important growth in our trade with China, but there have also been attendant problems. Our discussions included our mutual efforts to resolve these problems in an equitable manner.

CHINA: TAIWAN ISSUES

Q: Were there any additional understandings or agreements reached on the question of Taiwan or US arms sales to Taiwan?

A: The US-China joint communique of August 17, 1982 and our earlier communiqués express adequately the positions and policies of both sides with regard to the Taiwan question. The purpose of this trip was not to seek further refinement of these positions; but the question of Taiwan was discussed, with both sides confirming their respective views and approaches.

CHINA: ARMS SALES

Q: You met with Chinese Defense Minister Zhang Aiping. Was there an agreement to sell China any U.S. weapons? Do you expect closer U.S.-Chinese military ties?

A: Our policy on arms sales to China was announced by former Secretary Haig; the U.S. is prepared to consider arms sales to China on the same, case-by-case basis as for other friendly nations. I reaffirmed this policy in my discussions with Minister Zhang, but we did not discuss specifics of individual sales.

As to U.S.-China military ties, we hope to develop the same range and types of military-to-military exchanges and contacts we enjoy with other friendly nations.

Secretary of Defense Weinberger has been invited to visit China, and our meetings in Beijing included discussion of possible dates for his visit. (Or; Secretary Weinberger has been invited to visit China. The visit is scheduled to take place sometime this spring.)

CHINA: TEXTILES

Q: Was there any progress made in the problem of Chinese textile imports to the U.S.?

A: The question of Chinese textiles was discussed. This is an issue for our respective negotiators to work on, and we did not seek to resolve it during my brief visit. However, we were able to clarify approaches, and with goodwill and mutual efforts we can eventually arrive at a satisfactory agreement on this issue. I expect an early resumption of our negotiations on textiles.

CHINA: SINO-SOVIET RELATIONS

Q: Did the Chinese offer any clarification of their recent discussions with the Soviet Union? Do you expect Beijing and Moscow to establish closer relations?

A: The US position regarding Sino-Soviet ties remains unchanged. If the Sino-Soviet contacts serve to reduce the dangers of war in areas such as Kampuchea or Afghanistan and lead to a general improvement in Soviet international behavior, we would regard that as a positive development. For our part, we will continue to focus on the proper management of our separate relations with Beijing and Moscow on their merits. Secretary Shultz's upcoming visit to Beijing, at China's invitation, reflects our effort to do just that.

CHINA: US-CHINA RELATIONS

Q: How would you characterize the current state of U.S.-China relations? What did you accomplish during your visit?

A: The United States places great importance on relations with China. We have many common international interests, and our bilateral relations and trade continue to expand at an impressive rate. My discussions with Chinese leaders provided an opportunity to become acquainted and exchange views on a broad range of international and bilateral issues. I found it very valuable.

I reaffirmed to Chinese leaders President Reagan's support for an expanding relationship on a basis of equality and reciprocity, and our continued desire to participate in China's modernization efforts. While there are problems to be overcome, I am optimistic that 1983 will see a series of high-level exchanges -- perhaps including a visit by Premier Zhao Ziyang to the U.S. -- and a resumption of advances in our relations in a broad range of areas, including economic, cultural, scientific, technological and people-to-people contacts.

HONG KONG:MEETING WITH THE GOVERNOR

Q: What did you discuss during your luncheon with the Governor?

A: While the primary reason for my visit to Hong Kong is to attend the conference of American ambassadors in Asia, I took the opportunity to pay a courtesy call on Governor Youde. We discussed my recent trip through Northeast Asia. We also covered a number of commercial and other bilateral matters affecting US-Hong Kong relations.

Q: Did you discuss the issue of Hong Kong's future? What is your assesment of the future of Hong Kong?

A: The issue of Hong Kong's future is a matter to be resolved by China and the United Kingdom. I am confident that it can be settled in a manner that will preserve the territory's stability and prosperity.

HONG KONG

Q: Was the subject of Hong Kong's future raised in your discussions with Chinese leaders? What is the U.S. position on Hong Kong's future status?

A: The U.S. considers the question of the future of Hong Kong a matter to be resolved by China and the United Kingdom. .
Naturally, we hope the issue of Hong Kong's future will be resolved in a manner which preserves the stability and prosperity of Hong Kong.

CHINA: TECHNOLOGY TRANSFER

Q: Did you make any new commitments to the Chinese about improving U.S. export licensing? What about licensing to Chinese firms in Hong Kong?

A: I told the Chinese that we intended to support their modernization with the transfer of U.S. technology, ranging from agricultural know-how to advanced scientific information. Most of these items are not subject to export controls. We intend to administer our regulations in a manner that supports China's development and maintain only those restrictions that are essential for national security purposes. If you look at the vast range of things we have made available in the last decade, you will see how far we have come in this important area.

As regards Hong Kong, there has been no change in our policy. We routinely license goods to end-users in Hong Kong as we do to virtually all other destinations. Our Commerce Department administers the licensing and could answer more specific questions than I can.

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COMMENTS ON THE NORTHEAST ASIAN TRIP

I would like to speak now briefly about my impressions of the visits just made to Tokyo, Beijing and Seoul, which we can go over in greater detail if you like during the discussion period.

Japan

In Tokyo, we continued the discussions begun during Nakasone's visit to Washington last month. On trade, I stressed the necessity for Japan to implement concrete measures that would produce early results giving meaning to Nakasone's pledge to open Japanese markets to foreign products. While it is clear that there are some trade problems, such as beef and citrus quotas, on which the Japanese feel, for legitimate political reasons, that they cannot move rapidly or dramatically, I made clear that we must have progress on these issues as well, and reiterated my strong belief that a less than adequate Japanese response to our concerns will provoke Congressional action that could affect detrimentally our relationship across the board.

Defense questions were somewhat easier to handle in that we are in agreement with the goals Japan has set for its force build-up and Nakasone seems determined to try to step up the

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pace. For Nakasone, the questions are mainly ones of increasing the self-defense budget in this period of extreme budgetary austerity and of building a political and public consensus behind his national security goals. The Japanese seem to understand well that a failure to assume more of the burden of their self-defense and to contribute more to our mutual-security relationship would give ammunition to those in Congress who argue that Japan is not willing to pull its weight.

But as important as these bilateral issues are, I also used the meetings in Tokyo to explore areas where additional coordinated US-Japanese initiatives might be mounted to address regional and global problems. We are heartened by Japan's responsiveness to our approaches on Middle East issues, where they have already indicated support in principle for the MNF and reconstruction in Lebanon. I am also encouraged by Japan's willingness to seek greater coordination in our respective foreign assistance programs, especially in key countries such as Pakistan, Egypt and Turkey as well as in the ASEAN countries. And they have made a significant contribution to assisting Yugoslavia.

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With both Nakasone and Foreign Minister Abe, I went into some detail on our approach to East-West issues. I told them that the President remains committed to reaching an acceptable agreement with Moscow on strategic weapons and that Japanese concerns would be taken into account in our arms-control negotiations. The Japanese agreed that it was necessary for the Western democracies to develop a coordinated and equitable strategy for economic dealings with the Soviets. We discussed how we might find a mutually satisfactory way to tie Japan into the NATO study on security aspects of East-West economic relations.

Overall, Nakasone and the others I met seemed confident that the new government would weather the political fall-out generated by its recent statements and actions on trade and defense. Nonetheless, all of them are clearly wary of testing further the public's acceptance level. I think that Nakasone's political skills will be stretched to the maximum to devise policies and approaches that meet our requirements while satisfying also those of the Japanese electorate.

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Korea

The concerns of my Korean hosts focussed, predictably, on the security relationship and prospects for security assistance. I reaffirmed the strength of our commitment, and our intention to maintain our troop strength in the ROK, and gave them what little comfort I could on FMS. (FMS levels for Korea will be almost one-third less than anticipated.) I told them that we could provide improved terms, and mentioned the possibility of a supplemental later on. They were also interested in what might be done to permit increased exports of military equipment made in Korea under US license. I told them our flexibility was limited, but we were looking into it.

I put considerable emphasis on human rights and the need to develop a more "open" political system in Korea, particularly in my meeting with Chun. His decision to release Kim Dae Jung, and his announced intention to begin lifting the ban on political activity, are hopeful signs, and without drawing any conclusions as to what they might or might not lead to, I wanted to reinforce them and make abundantly clear to Chun that we think he is on the right track and should persist.

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I also spent some time on economic issues, my message being that we were doing our best to resist protectionist measures, and Korea could help by opening up its own market. I might add that I was impressed, as I have always been in past visits to Seoul, by the economic dynamism of the place and the quality of some of its economic managers, several of whom I talked with over breakfast.

With Chun, and particularly with Foreign Minister Lee, I reviewed some of my discussions in Beijing and Tokyo, as well as certain of our global policy concerns. The Koreans are of course intensely interested in possibilities for further development of unofficial contacts with the PRC, which they regard as steps on the road toward cross-recognition, and they are justifiably pleased by the present state of their relations with Japan. Lee and I discussed prospects for further "tension-reduction" steps. I was impressed by the relatively relaxed, and self-confident approach of the Koreans toward this range of issues, which I believe is significantly different from their more defensive posture of the past. I encouraged the Koreans to keep working patiently for stronger ties with ASEAN, and told them we would reinforce their efforts as and when appropriate.

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In general, I was struck by the rather buoyant mood of Chun and other Korean officials. I assume this reflects what he believes to be a manageable and relatively tranquil domestic situation, as well as recent diplomatic successes -- notably the Nakasone visit, but also such things as having landed the Olympics, Asian Games, IPU world conference, etc. -- which have enhanced Korea's international standing. Many Koreans now like to think of themselves as a "middle power". I think it is in our interest to treat them as one, whether or not they meet all the criteria, in order to broaden their horizons and elicit constructive Korean involvement in issues we care about beyond the peninsula.

China

My five days in Beijing were full and productive. I went into China with the firm goal of arresting the recent drift in the US-China relationship and putting it back on a stable and realistic footing once again. I met with a broad cross-section of the leadership in Beijing and had wide-ranging and positive talks with them. I feel we succeeded in conveying to the

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Chinese the importance with which this Administration approaches US-China relations and injected fresh momentum into that relationship. I believe this visit went some distance toward putting our bilateral relationship back on track.

In our talks we strove to project a strong vision of coherent and consistent US global and regional policies. I also discussed with the Chinese the current global economic situation, and emphasized the need for international cooperation with the aim of restoring global prosperity, as well as the importance to that effort of China's own economic growth. I explained the US approach to the Soviet Union, including our arms control efforts in INF and START, reminding the Chinese that we expect them to take our interests into account, just as we do theirs in our dealings with Moscow. The Chinese, in turn, set forth their approach to the Soviets.

On regional matters we found many points of commonality, as for example, in our respective approaches toward restoring peace in Afghanistan and Kampuchea. In other areas where our approaches are not identical, such as the Middle East and Southern Africa, we agreed to further consultations in an effort to seek constructive solutions. I also discussed ways to reduce tensions on the Korean peninsula with the aim of achieving an eventual settlement there.

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On bilateral issues, I conveyed to my hosts the President's strong desire to place US-China relations on an even keel again. I stressed the US interest in increased cooperation with China on their ambitious modernization program. I found Vice Premier Deng as committed as President Reagan to the broad goals of economic and political cooperation between the US and China. I believe that our frank and far-ranging discussion, which lasted over four hours, was successful in clearing the air on a number of important issues and in establishing an atmosphere of rapport and trust, through which we will be able to further relations. I reviewed prospects for American investment in areas such as energy, and pointed to the substantial and growing number of export licenses we have approved for technology transfer.

I have felt that some of the problems in our relations with China have been caused by unrealistic expectations on both sides. On the Chinese side, we may have in part been responsible in the past by being somewhat vague in what we promised, by not being careful enough to be sure we could

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deliver. I tried, therefore, to inject a greater sense of realism into our discussions while assuring the Chinese that while we may be more cautious in our promises we intend to keep them.

A number of troublesome bilateral issues were also raised. The Chinese expressed their view on the current impasse in our textile negotiations, and we set a format for the resolution of this important issue. We also discussed other trade problems. Our differences on the issue of political asylum were also aired. While Taiwan was not a major subject of discussion during this visit, both sides pledged to continue strict implementation of the August 17 Joint Communique.

I extended a formal invitation to Premier Zhao, which he accepted, to visit the United States later this year in order to continue the momentum of high-level dialogues between our two countries. In my talks with Defense Minister Zhang I sought to set the stage for the gradual development of military

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exchanges. In that context, we agreed that Secretary Weinberger will visit China this year.

I came away from the China portion of my trip encouraged by the constructive atmosphere I found there. I feel that this visit has laid the foundations for gradual expansion of our bilateral relationship, based on revived mutual trust, and with greater realism on both sides. I hope that this productive spirit can be sustained and strengthened in the months ahead.

Drafted: EA/RA - PGardner
1/24/83

Cleared: EA - TShoesmith
S/P - SBosworth
P - DJohnson

SECRETARY SHULTZ

REMARKS TO EAST ASIA CHIEFS OF MISSION

I. GLOBAL OVERVIEW

It is a pleasure to be with you here today. I apologize for taking so long to get out to East Asia. I can assure you that it is not for lack of interest. In fact, one of the many drawbacks to my present job is that I have so little time on these trips to enjoy the countries I visit. I have visited East Asia many times in several incarnations, and I would completely agree with Mike Mansfield -- that the future lies in the Pacific.

Unfortunately, I have been preoccupied with a few problems such as the Middle East, how we can convince the Soviets to agree to a meaningful arms reduction, whether the Redskins would make the Super Bowl, and so on. But I can assure you that no one in Washington is under any illusion as to how important this region is to the United States or its place in our foreign policy priorities.

I am looking forward to hearing your views and discussing topics of interest to you. But before reporting the results of my views to Tokyo, Seoul and Beijing, I thought I would take a few minutes to review how we are trying to deal with critical global issues facing us.

Rather than deal with the nuts and bolts of specific situations, the Middle East peace process, or the several arms control negotiations we are involved in, I want to talk about two broader issues that dominate our foreign policy agenda, and provide some perspective on these more specific problem areas.

The first is what I think we would all agree is the number one priority, both at home and abroad -- restoring economic strength and vitality at home -- and inseparable from that goal, working with our Allies and friends to restore order and stability to the international economic system. The second issue is the President's continuing commitment to peace and security, which encompasses our approach to dangerous regional crises around the world, as well as our policy toward the Soviet Union.

INTERNATIONAL ECONOMIC RELATIONS

By now, you've all had a chance to read the President's State of the Union message. I'm sure it came as no surprise that the President's primary emphasis was on the challenge of our troubled economy. In response to that challenge, the President outlined a program to bring about a sustained recovery and renewed growth. The President's Budget Plan, I believe, is a realistic and effective approach to that goal, particularly the need to bring down the deficit.

The President also recognizes that our own economic recovery is fundamentally linked to the health of the international economy, and that we must focus increasingly seriously on creative management of our participation in that international economy.

Increasingly in the Congress and hopefully among our citizens, we are recognizing that the pace of our own recovery is deeply influenced by what happens beyond our shore. Our most urgent task then is to work to overcome the deep recession that has placed unprecedented strains on the international trade and financial systems. Concerns about the size of the debt burden on some developing countries, including some of the countries in which several of you represent our interests, added to fears about international political development have a cumulative effect which distorts capital markets and threatens the stability of the global system. A large default by a Mexico or a Brazil, or more "close to home," an Indonesia, or even a cluster of smaller defaults, would complicate the international financial picture immeasurably. The implications of any of these scenarios for our own economy are obvious.

Our recovery is also retarded seriously by the effects the global recession is having on world trade. The pressures in our own country, and even more strikingly in Western Europe, for protectionist policies are growing.

I have argued very strongly in the councils of government at home that we must strongly resist the temptation to seek quick-fix protectionist solutions to trade problems. These seemingly easy solutions come at the expense of our trade partners, any of whom, as you well know, have severe economic problems and are allies in our Atlantic and Pacific security arrangements. The President has made it clear that we will remain vigilant in safeguarding U.S. interests in all trade negotiations, but in the long-run, we must avoid seductive protectionist actions that run counter to our own self-interest.

In addition to aggressive trade negotiations, we must move decisively to deal with the causes of these pressures. We must move to restore confidence in the ability of the international economic system to generate new growth, for only stable, non-inflationary growth will create new jobs. As we get our own economy moving, we must work with our allies and friends to create the conditions for mutually sustaining growth and trade among us. We must deepen economic cooperation with the developing world, which purchases over 1/3 of all American exports and is the fastest growing section of U.S. trade.

As you well know, many of these developing countries are in deep financial distress. It is in our own national interest to help advance both their economic growth and their political stability.

Our recent initiatives to increase IMF resources are important here to smooth the transition of heavily indebted countries to economic and political security. In that context, we will continue to do all we can to support the important work of the Asian Development Bank. I am convinced that we can work with our trade partners, both industrial and hard-pressed developing countries, to create new resources and trade opportunities vital to the success of our efforts to restore growth at home.

COMMITMENT TO PEACE AND SECURITY

Careful analysis made clear to us that there had been a significant shift in the military balance to the Soviet advantage over the course of the last decade. To address this problem, the President has initiated a comprehensive program both to restore our military strength and at the same time to negotiate on disarmament and arms control. It is very important to stress that these two aspects of the President's program are not alternatives, but rather integrated elements of a coherent national security policy, designed above all to keep the peace.

- o On the defense side, the President is committed to a realistic effort to restore American military strength.

- o On the arms control side, the President has proposed a comprehensive agenda for the reduction of nuclear and conventional forces.

In arms control negotiations in Geneva and in Vienna, where we have tabled specific proposals, our approach is based on the principles of substantial and verifiable reductions to parity in similar types of forces.

The President has made his position clear on these negotiations -- we will negotiate firmly and fairly, and we will carefully explore serious Soviet proposals. But we must not through negotiations grant the Soviets dangerous military advantages over the West.

We have made clear our desire for a constructive relationship with the Soviet Union, based on the principles of restraint and respect for one another's interests. Both to Brezhnev, and now to the new Soviet leadership, we have continued to communicate a clear, consistent message that concrete Soviet actions are required to resolve outstanding issues and to improve relations.

Three areas particularly concern us -- the massive Soviet arms build-up, Soviet exploitation of regional crises, especially their role in Poland, Afghanistan and Kampuchea, and the unconscionable suppression of human rights within the Soviet Union. Each of these situations provides a kind of litmus test to Soviet interest in improving relations. We have let the Soviets know we are interested in actions, not words.

As all of you are only too aware, it is easy to state our commitment to building a more peaceful world.

It is quite another thing to act decisively and imaginatively to help make peace a reality in areas of the world that have known strife and instability for generations.

In the Middle East, we remain convinced that the initiatives the President announced September 1, offer the best chance for achieving a real peace in that incredibly complex and troubled region. There is a lot of emphasis just now on Lebanon, and we are of course concerned that progress in removing all the foreign forces has been slow. At the same time, we have done some things there in helping bring an end to the war, in removing the PLO, and in putting a Multinational Peacekeeping Force in place, that a year ago, some thought would have been impossible. We had some very productive talks with President Mubarak, just before I left Washington. Phil Habib has been very busy in seeking the withdrawal of foreign forces from Lebanon. All in all, I am convinced that although the problem is enormously difficult, we are on the right track.

In Latin America, we have worked very hard to promote more stable democratic regimes and to assist those regimes in countering externally supported subversion. We are putting in place, through the Caribbean Basin Initiative, an innovative structure of trade and investment incentives and aid to stimulate growth. In southern Africa, we are much closer to resolving the Namibian conflict than we were this time a year ago.

My remarks today have focused on foreign economic policy, U.S./Soviet relations and regional crises. Let me say a word now about the central role which the East Asia and Pacific region plays in our global strategic policy.

Japan, of course, is an economic superpower and a crucial actor in the international economy. We are working closely with Japan in an effort to open the Japanese economy and thus prevent economic disagreements with Americans and Europeans from affecting our larger strategic interests. I believe Nakasone understands that this is necessary to avert growing controls on trade and political bitterness on all sides.

At the same time, we are urging Japan to make a more substantial contribution to our collective security interests in East Asia -- not to replace, but to augment U.S. military presence. You are all aware of the reasons why this is such a delicate and difficult matter. Again, Nakasone seems to understand, and we are working with his government closely and patiently, but with determination, to advance this process. Looking down the road, Japan is likely to remain an "incomplete superpower," dependent for a global role on those industrial and technological talents which also constitute its largest source of friction with other countries, including the United States. Our task is to channel Japanese strengths to foster our mutual interests and those of stability in East Asia and beyond.

As to China, we have come through a rather stormy patch over the last two years. While the August 17 communique for the time being dealt with PRC concerns over Taiwan, the Chinese leadership is obviously somewhat disillusioned with us. But China clearly has no illusions regarding the Soviet Union, which Beijing still sees as the long-term threat to China's security. Moreover, China realizes that it needs the West in its economic modernization efforts, indeed, for the foreseeable future, the PRC will be a country very preoccupied by its own internal challenges. These two factors are crucial to our evaluation of long-term strategy toward China.

Sino-American relations are likely to remain uneasy, and we see a China maneuvering between the two major powers, hoping thereby to increase their leverage in this triangular relationship. But Beijing also could find that this posture eventually avails it little leverage to affect either Washington or Moscow.

I therefore want to ensure that we fully explore such opportunities as do exist for improving our relations with the pragmatic PRC leadership. I especially would welcome your advice on how best to deal with the facts I mentioned earlier -- China's security fear of Moscow and economic dependence on the West -- in developing the U.S./PRC strategic association.

Finally, let me assure all of you that southeast Asia has not fallen off our screen in Washington. We remain concerned about Kampuchea, which is a standing item in our agenda with the Soviet Union, and, I might add, in the Sino-Soviet dialogue. We continue to support ASEAN in dealing with that issue. We want to sustain our growing economic cooperation with the ASEAN countries.

In closing these more general remarks, I want to come back to something the President said in the State of the Union, something that I know he earnestly believes. Our policy must be bipartisan; it must be based on a realistic view of the world and how it operates; it must be grounded in our own strength, both military and economic, and a willingness to use that strength to defend our interests; and finally, it must be based on consultation and partnership with our allies and friends and at the same time a constant willingness to carry on a constructive dialogue with our adversaries.

When President Reagan offered me this job, he said it wouldn't be easy, but I don't think I fully appreciated just how exciting and how difficult it would be. I hope it goes without saying that I know I couldn't do this job without the splendid efforts of my colleagues in the Department and those of you in the field. I am very grateful to you all.

Now, let me tell you something about this last week as I've traveled through Asia, and then let's get to your own observations and questions.

SECRETARY'S REMARKS TO EAST ASIA CHIEFS OF MISSION

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