

September 1988

Record of Meetings in Prime Minister Takeshita's Visit to China

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Summary:

Detailed summaries of Japanese Prime Minister Takeshita's conversations with Li Peng, Yang Shangkun, Deng Xiaoping, and Zhao Ziyang. Topics of discussion include Sino-Japanese political, economic, and cultural relations; China's economy and politics in the 1980s; the "history" problem; and the status of Taiwan. The two sides also discussed a range of international issues, including relations with the Soviet Union and the United States; developments on the Korean Peninsula; the Cambodian-Vietnamese conflict; the Iran-Iraq War; and Pakistan.

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Meeting Record

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Record of Meetings in Prime Minister Takeshita's Visit to China

September 1988

China Division

This record is a compilation of the remarks of both sides from the following meetings that took place on the occasion of Prime Minister Takeshita's visit to China (25 to 30 August).

1. Meeting with Premier Li Peng, afternoon of 25 August
2. Meeting with State President Yang Shangkun, morning of 26 August
3. Meeting with Military Commission Chairman Deng Xiaoping, morning of 26 August
4. Meeting with General Secretary Zhao Ziyang, afternoon of 26 August

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I. Japan-China Relations

1. Overall Japan-China Relations

(1) Prime Minister Takeshita – Premier Li Peng

At the outset, Premier Li Peng made the following statement:

(A) Representing the Chinese people and government, I would like to express a warm welcome to you, Prime Minister, on your visit to China in this commemorative year, the tenth anniversary of the concluding of the Treaty of Peace and Friendship between Japan and China.

(B) The Chinese people and government know, Prime Minister, that you have done much work in the long association between China and Japan. I believe that this visit of yours, Prime Minister, will become a new contribution to the strengthening of relations between China and Japan.

In response to the above, Prime Minister Takeshita's statement was as follows:

(A) I believe more than ever in Japan-China friendship. Since becoming prime minister last year, I had hoped to visit your country as soon as possible. It gives me great pleasure to be able to realize a visit to China this year, the tenth anniversary of the concluding of the Treaty of Peace and Friendship between Japan and China, and to meet you, Premier, and other leaders of your country.

(B) On this occasion, together with you, Premier, I would like to look back on the development of Japan-China relations, confirm their point of departure, and make a new point of departure for the further development of Japan-China relations.

(C) My wife and I both would like to thank you for your consideration, which makes possible our visit to such places as Dunhuang and Xi'an, with their deep cultural ties to our country.

An exchange regarding overall bilateral relations was as follows:

(Prime Minister Takeshita)

(A) I see relations between Japan and China as having been developing smoothly since the normalization of relations and, over all, as being very good. Particularly since the concluding of the friendship treaty between Japan-China, there have been some remarkable developments in the relations between our two countries. They show the significance of this treaty. Exchanges are now developing in each and every field between our two countries and showing signs of activity without precedent in our 2000-year history of exchanges. On the occasion of the tenth anniversary of the concluding of the Treaty of Peace and Friendship, our country renews its determination and intends to devote its efforts to realizing relations of lasting peace and friendship between our two countries.

(B) What we should particularly emphasize is that good relations between Japan and China have not been important simply for the governments and people of our two countries. They make a very great contribution to the peace and stability of Asia and, in turn, the world. From each country's position of having great responsibility to international society, it is enormously important to keep always in mind how relations between Japan and China should be in Asia and, in turn, the world.

(C) As relations between our two countries grow closer, it is inevitable that various difficult issues will arise. However, I believe that if both countries, standing on the basis of mutual trust and respecting each other's national conditions, handle them on the basis of the overall situation of the development of friendly relations, I am convinced that we can solve any issue, as we have done before.

(D) Since assuming the office of prime minister last autumn, as I have said on occasion and repeatedly, working for the development of friendly relations with your country has consistently been an important pillar of our country's diplomacy. Taking severe reflection on past history as the point of departure and the Japan-China Joint Communiqué, the Treaty of Peace and Friendship between Japan and China, and the four principles of Japan-China relations as the basis, there is no change to our country's policy of attaching importance to China.

(E) I am aware that your country for the past 10 years has been carrying out a modernization policy centered on reform and opening and that this basic policy was clearly confirmed in autumn last year at the 13th Party Congress and at the National People's Congress held in April this year. Our country, too, highly appraises the efforts and ardor of your country's leaders and people to undertake modernization in pooling together your wisdom and overcoming difficulties. I would like to express here once again our policy of continued and unstinting cooperation to the extent possible in regard to your country's modernization efforts.

(F)

(a) I would like, in aiming for "a Japan that contributes to the world," to promote a comprehensive concept of international cooperation built on three pillars: (i) efforts for peace, (ii) the expansion of cooperation for the social and economic development of developing countries, and (iii) the strengthening of international cultural exchanges. This concept rests on the understanding that now, when international society's expectations of Japan are rising, it is for Japan's sake as well for our country to fulfill our appropriate responsibilities.

(b) With your country, too, in aiming henceforth for balanced Japan-China relations, I would like to attach importance to cultural exchange in addition to making progress in cooperation in political and economic fields.

(Premier Li)

(A) I agree with your appraisal, Prime Minister, of China-Japan relations since the normalization of relations. That is to say, relations between China and Japan have been good over all. Not only have exchanges deepened in every field, but mutual understanding has been increasing.

(B) On the other hand, now and then there appear troubles and difficulties between China and Japan. However, in regard to such difficulties and complications, I believe that we surely can overcome them if the leaders and people of good will from both countries work together.

(C) We have noted, Prime Minister Takeshita, your repeated statements since assuming office in autumn last year that you “adhere to the policy of friendship between Japan and China.” I am pleased to hear today that attaching importance to China is an important pillar of Japanese diplomacy. China, as you know, has adopted an independent foreign policy, but relations of friendship and cooperation with Japan are an important component of China’s diplomatic policy.

(D) That China-Japan relations have developed as they have today is the fruit of the efforts made over a long period of time by veteran politicians of our two countries. Their development fulfills the expectations of the people of both countries. We must treat such a situation with care. Also, friendly and cooperative relations between China and Japan are not important simply for the people of both countries but also play an important role in the peace of Asia and, in turn, that of the world.

(E) The present Chinese government (present administration) began only a short time ago and, Prime Minister, you assumed office in autumn last year, so one can say that both our governments are new ones. The two of us should inherit and develop the friendly and cooperative relations of our veteran politicians.

(F) China, now following a policy of reform and opening, has already obtained results to a certain degree. The economy, too, has been developing. In so doing, I think that we will also run into new things or difficulties, but we are determined to continue with reform and opening. Prime Minister, you spoke of “unstinting cooperation to the extent possible” in the process of the Four Modernizations. I would like to highly appraise this statement of yours.

(G) Japan is a country with a really developed economy. The concept of which you spoke – (a) cooperation for peace, (b) cooperation for development, and (c) the strengthening of international cultural exchanges – is an excellent one. I wish you success.

(Prime Minister Takeshita)

Special Envoy [Masayoshi] Ito, who recently visited China, and who is 11 years older than me, has said that “Prime Minister Takeshita and Premier Li must inherit the will of the veteran politicians and build a relationship of friendship between Japan and China.” Yesterday, too, he said that to me.

(Premier Li)

Prime Minister, you and I are of the same generation.

(2) Prime Minister Takeshita – President Yang Shangkun

President Yang’s remarks on Japan-China relations were as follows:

(A) Opening Statement

(a) I am very happy to be able to meet you like this here in Beijing. Prime Minister, you are a good friend for us. We thank you, Prime Minister, for the great efforts you have made, particularly since assuming office, for the cooperative relations between our two countries.

(b) Particularly as this year is the tenth anniversary of the concluding of the Treaty of Peace and Friendship, I feel particularly happy that you have come to China in a year that both countries should celebrate. Your visit to China has added luster to Japan-China relations and increased friendship.

(B) General Remarks on Bilateral Relations

(a) Bilateral relations between China and Japan have achieved an overall development since the normalization of relations, and we are satisfied. Development in the field of economic cooperation in particular is satisfactory.

(b) We often use the expression “neighboring countries separated by a strip of water.” One can say that the history of bilateral relations has been on the whole a good one and that relations have been close. Of course, unpleasant things occurred over a short period of that time. However, such things have passed, and they occupied only a very short period within this entire history. Of course, even though this was a short period of time, it was a disaster for the Chinese people and one for the Japanese people as well. However, such things have passed. We must look to the future.

(c) Elder generations of politicians of both our countries, those of China and Japan, put a great deal of effort into realizing the normalization of relations between our two countries and were able to achieve it. This result was achieved due to the efforts of many leaders of both countries and to the hopes of the people of both countries. Therefore, we must take care of the good relations that we have today between China and Japan.

(d) Of course, there are differences of opinion regarding this problem or that between our two countries. Nevertheless, I personally think that solving them will not be difficult if leaders on both sides engage in frank and sincere exchanges of views.

(e) In short, we must look ahead and not look behind. While paying attention to history, we must turn our eyes to reality. Politicians of both countries together have the responsibility of strengthening friendly relations. Also, I think that, in so doing, we will achieve the goal that the leaders of both countries proposed, that of "friendship from generation to generation."

(C) Economy, Economic Cooperation

(a) China is at present working hard at economic construction. In this, China has so far received the Government of Japan's cooperation and, I believe, will continue to receive it. The prospects for cooperation in this are bright and broad.

(b) In Asia, Japan is a country with a developed economy. Japanese levels of economic ability, science and technology, and management are all more advanced than those of China. However, China also possesses a certain foundation in the fields of industry, agriculture, and science and technology. Therefore, I am convinced that, if China and Japan both deepen cooperation in various fields, remarkable progress can be achieved.

Prime Minister Takeshita's remarks in response to the above were as follows:

(A) I am very honored, having hoped to visit China in this commemorative year, the tenth anniversary of the concluding of the Treaty of Peace and Friendship, to have realized this visit owing to the Chinese government's invitation. With the Japan-China Joint Communique, the Treaty of Peace and Friendship, and the Four Principles of Japan-China Relations as the original points, thinking that I would like to make it the new point of departure for friendship 10 years, 20 years into the future, then forever, I thus set out on my visit to China.

(B) Yesterday, in the meeting with Premier Li, on the basis of such an understanding, we had a frank exchange of views on bilateral relations, the policy of reform and opening, and economic relations.

(C) In particular, in regard to the issue of yen loans, I think that there are limits to the cooperation possible by the government alone, and I think that we must particularly promote private investment. From such a point of view as well, that the Investment Protection Agreement is to be signed at this time is gratifying. An investment mission is to come to your country in the near future.

(D) I will be heading tomorrow for Dunhuang and Xi'an. I am really grateful to the Chinese government for arranging a visit to this region for me. Personally, I believe that Japan's culture, including the script, was passed to us from China. At that time, an East-West civilization was blooming in Dunhuang, and I think that it was introduced to Japan. I think that we must give thanks to those benefactors from two thousand years ago. I wonder, in teaching young students the relations between your country and us from such ancient history, although there was an unfortunate period in Japan-China relations: what if it became an occasion to teach that there was before that in China a much more ancient cultural point of departure? I wonder: what if this visit to Dunhuang could become such an occasion?

(E) I think that, in the next few years, I would like to devote even more effort to student exchanges. Our country's industrial circles, too, are enthusiastic on the issue of exchange students.

(F) Yesterday, I spoke with Premier Li and Minister Qian. I appraised China's open system. I think that economic cooperation between Japan and China will be to the advantage of both sides. I personally would suggest, in that sense, that we stop using the word "aid."

(G) I hope, President, that you will visit Japan at the most opportune time (President

Yang merely replied "thank you" to this.).

(3) Prime Minister Takeshita - Chairman Deng Xiaoping
(Chairman Deng)

New cabinets in Japan and China were established at nearly the same time, and generational change in leaders took place. With this, the generational change in China's leadership was nearly completed. I was replaced.

Your Excellency must be the busiest person in Japan, but the busiest people in China are Zhao Ziyang, whom you are going to meet this afternoon, and Li Peng, whom you met yesterday. I am a man of leisure. I was at the seashore until yesterday.

In this visit to China, Prime Minister, you will be dealing mostly with them. I, too, am someone who is enthusiastic for friendship and cooperation between Japan and China, so I warmly welcome you, Prime Minister, to China. I would like to form new Japan-China relations that are warm and in no way inferior to those in the time of [Kakuei] Tanaka and [Masayoshi] Ohira. In April this year, Mr. Ito was sent as your special envoy. I entrusted Mr. Ito with a message to you, Prime Minister. It was that the development of friendly and cooperative relations between Japan and China is my heartfelt desire and that I think that this is not only of benefit to our two countries but to the Asia-Pacific and, in turn, to the world and mankind.

(Prime Minister Takeshita)

Mr. Ito spoke to me as many as 10 times of your Excellency's message, using expressions similar to yours. The day before yesterday, too, he said to me that, if I were to meet Chairman Deng on the visit to China, he would probably speak of his desire for me to become a true friend, as in the time of Tanaka and Ohira and that, therefore, I should make that promise.

(Chairman Deng)

What I said about relations with Tanaka and Ohira was mainly about trusting one another. In the development of relations, we must make sure to build a foundation of mutual trust.

(Prime Minister Takeshita)

I fully understand what Your Excellency is saying. Your Excellency is always talking about age, but I always have a sense of youth from Your Excellency. There is a difference of 20 years between Your Excellency and me, and one of 11 years between Mr. Ito and me, so the age gaps between the three of us is exactly the same.

(Chairman Deng)

When one speaks of being 20 years older, it appears on the surface to be an advantage but is, in fact, a shortcoming. The era already belongs to Your Excellency's generation.

The task that I completed this year was that of generational change. I am nominally chairman of the Military Commission, but in fact there has been a change. As you know, there are two vice chairmen on the Military Commission. One of them is General Secretary Zhao. The other one is State President Yang. This, too, is what one could perhaps call an arrangement with Chinese characteristics. In a true sense, there has been a change (in the chairman of the Military Commission). Zhao has become the real chairman of the Military Commission.

(Prime Minister Takeshita)

Your Excellency, I hear that you said that, even if Heaven should fall, the two will support Heaven. Pardon me for saying this, but I always say the following to Mr. Ito, who is a decade older than me, to encourage him: "Thinking of one's life as a flower, at 50 and 60, one is still a bud; at 70 and 80, one is in one's prime; and at 90, when Death comes calling, one turns him out, saying "wait until I turn 100 years old."

(Chairman Deng)

Confucius said "at 50, I knew the Mandate of Heaven; at 60, my ear was attuned; at 70, I followed my heart's desire." But he said nothing about being 80. It may not be such a good thing to be 80. By the way, Confucius only lived to the age of 70.

(Prime Minister Takeshita)

The average life expectancy in Japan is now 75.6 years for men and 81.2 years for women. My apologies to Confucius, but the time has come to have Your Excellency think about the age of 80.

(Chairman Deng)

God does not let people go unnoticed. Once one has passed the age of 80, it is necessary to think of what comes afterwards. Since passing the age of 70, I have become focused in thinking of what comes afterwards. Confucius says nothing about 70, but isn't it that he tells us to consider what comes after 70?

Yesterday you had a good meeting with Premier Li Peng. In the afternoon, you are going to have a meeting with Zhao Ziyang. I think that everything of interest to both sides, whether international issues or bilateral issues, will be discussed. The only thing that I would like to discuss are the points conveyed via Mr. Ito. Other than that, Prime Minister, isn't there anything that you would like to ask? Both Chinese and international issues would be fine.

(4) Prime Minister Takeshita - General Secretary Zhao Ziyang

(Prime Minister Takeshita)

I had been hoping since assuming office to visit China this year, the tenth anniversary of the concluding of the Treaty of Peace and Friendship between Japan and China. Owing to the Chinese government's invitation, I have realized it. I feel honored.

(General Secretary Zhao Ziyang)

(A) Last year, at a press conference of the 13th Party Congress, I said that I would like to realize the visit to China of Prime Minister Takeshita early this year. Therefore, I think that one could say, Prime Minister, that your visit to China is both at the invitation of Premier Li and at my invitation.

(B) Prime Minister, you had a friendly and frank exchange of views on a wide range of issues yesterday with Premier Li. This morning, you met with State President Yang and Chairman Deng. I would like to express my respect and thank you for the strong will you have expressed concerning, and the efforts you have made for, the development of friendship and cooperation between China and Japan.

(C) I hope, together with further developing bilateral relations on the present good foundation, with leaders of both China and Japan working together and strengthening cooperation, for the opening of a new phase. I am not at present in a government post, but I intend to continue working for the development of friendship between China and Japan.

(Prime Minister Takeshita)

(A) Yesterday, I engaged with Premier Li over a long period of time in an exchange of views on specific issues. I firmly believe that mutual understanding was deepened. This morning, meeting with veteran senior leaders, I feel that I grew as a person. Tomorrow, the signing of the Investment Protection Agreement is planned. I expect that this visit to China will become a new springboard for relations between our two countries.

(B) General Secretary, you are looking after all of the Party's work. I understand that it is a terribly busy position. Meeting you today, however, I would like to convey to you, General Secretary, a sincere invitation to visit Japan.

(C) The two of us in common desire reform, so I am pleased to have had the opportunity to meet you today. General Secretary, you are advancing a policy of reform and opening. In this, there are always persistent difficulties. But I am always deeply impressed at the sight of those who are overcoming and confronting such difficulties. In 1986, there was a sharp appreciation in the yen's exchange rate. Japan's export industries suffered major damage and, at that time, we had to look to the international situation and carry out structural adjustments in each industry. Because of that, there were days when I could not sleep at night. Two years later, the merits of a higher yen are now becoming established and I am at the point where I can heave a sigh of relief.

(D) We in Japan, too, with the rapid worsening of prices, wages and such in your country, understand that you, Secretary General, are having a hard time of it. Dealing

too quickly with such problems is no good, but neither is there any sense in being too slow about it. We understand, General Secretary, your troubles.

(E) Therefore, I think it natural for our country, too, to cooperate to the extent possible with your country. I am convinced that this will be beneficial not only for our two countries but for the economic development of all of Asia. Hearing of your troubles, General Secretary, I think that we, too, are encouraged.

(General Secretary Zhao)

(A) First, I would like to thank you, Prime Minister, for your invitation to visit Japan. Personally, I hope to visit Japan as soon as possible. (In response, Prime Minister Takeshita said 'Thank you.')

I have been extremely busy with domestic affairs since becoming general secretary, with little opportunity to visit foreign countries. I hear that there is a plan for Premier Li, who received yesterday an invitation to visit Japan, to go next year when the cherry trees are in bloom. I, too, would like to consider your invitation, Prime Minister, to visit Japan when I think of visiting a foreign country. I have not thought yet about next year.

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2. Japan-Taiwan Relations

(1) Prime Minister Takeshita – Premier Li Peng

(Prime Minister Takeshita)

(A) Our country has consistently adhered to the position of Article 2 and Article 3 in the Japan-China Joint Communiqué.

(a) Exchanges between our country and Taiwan strictly maintain a non-governmental and regional character.

(b) Our country's position on the attribution of Taiwan is as expressed in Article 3 of the Joint Communiqué. That is to say, that position – "The Government of Japan fully understands and respects this stand of the Government of the People's Republic of China, and it firmly maintains its stand under Article 8 of the Potsdam Proclamation" – remains unchanged.

(B) Our country highly appraises the opening of a way to a solution concerning Hong Kong and Macao through talks among the relevant countries. We welcome the visible progress in recent years in exchanges on both sides of the Taiwan Strait. We look forward to the further development of exchanges.

(Premier Li Peng)

(A) We welcome, Prime Minister, in regard to Japan-Taiwan relations, your adopting the attitude of carrying them out on the basis of the principles of the Sino-Japanese Joint Statement.

(B) We are not against non-government economic and trade relations between Japan and Taiwan. However, we hope that in its international activities Japan does not affect "one China."

(C) In Taiwan, Chiang Kai-shek has passed away, the Nationalist Party has held its 13th Party Congress, the policy on the Mainland has been adjusted, and person-to-person exchanges have increased. In this, Prime Minister, your evaluation is on the mark.

(Prime Minister Takeshita)

My thinking on this issue is surely as you said, Premier. With that feeling in mind, I have and will continue to think so.

(2) Prime Minister Takeshita – President Yang Shangkun

President Yang's remarks on the Taiwan issue were as follows:

(A) Prime Minister, I understand that in your summit meeting yesterday you mentioned Taiwan's historical status and stated the view of the Japanese Government on this issue. My impression is that the attitude you expressed, Prime Minister, accords with the historical facts.

(B) The general direction of our policy on Taiwan is that of "one country, two systems." That is to say, Taiwan is a province of China, they have established a

special administrative region, and we are able to carry out their system there. On the mainland, we carry out the mainland's system. However, Taiwan and the mainland must be re-united. The premise of that is that Taiwan is a special administrative region of China, the capital of which is in Beijing. On this point, there is the statement of Chairman Deng Xiaoping, who put it simply: "The mainland will not swallow Taiwan, nor will Taiwan swallow the mainland." Each side has its own system and manages its own territory.

(C) As a concrete measure and arrangement, our hope is for the Nationalist Party on Taiwan to have talks with us, the Communist Party of China, on cross-strait relations. These would be talks between two parties, not talks between two governments. If we had talks between two governments, they would be a gap between the central government and a local government, the result of which would be to lower the status of the other party. However, if we were to have talks between parties, then we could conduct them in an equal way.

(D) Before realizing these inter-party talks, the "three direct links" (note: trade, transport, and mail) would have to be thoroughly promoted. As you know, the "three direct links" at present are in fact taking place, but this is being done under cover. Our position is to do openly what is being done under cover. Our hope is for both sides to reach agreement on being able to do these things openly. If that happens, then, for example, it would be possible for us to talk to one another when Taiwan needed raw materials from the mainland and for us to provide them.

(a) Those who crossed from the mainland over to Taiwan have been unable to see their families for 40 years now. Nor can they exchange letters with them. We hope to end such restrictions.

(b) Comings and goings in this respect have become more numerous compared to two years ago, but all have been indirect exchanges. For example, trade has to take place via Hong Kong, and visits with relatives must take place far out of the way in such places as Japan, the United States or Europe. It is necessary to change both these situations. Therefore, before realizing such talks, we need to realize the "three direct links" and make them overt.

(E) Through such concrete arrangements, we should realize cross-strait re-unification. We do not intend to resolve the Taiwan issue by force.

(F) As for why I have spoken on this issue, the reason is that, as discussed yesterday, I think that you, Prime Minister, and many Japanese politicians have relations with Taiwan's politicians and some of the entrepreneurs and I wanted you to convey to them China's sentiment, that is, that we sincerely would like to realize talks with the Nationalist Party as equals and in a peaceful way.

Prime Minister Takeshita's remarks in response to the above were as follows:

(A) I have heard detailed and realistic talk on the Taiwan issue. It has been beneficial to me as well. For Japan, this issue is a non-government and regional one. I feel that this realistic approach of yours, President, is one that the Japanese people will appraise highly.

(B) Trade relations with your country, which passed through an era where they took place in the dark and then through the era of LT trade, have developed to today's level. Such an accumulation has reached the present day. This is what I was thinking while listening to you.

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3. The Kokaryo Issue

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning the Kokaryo issue was as follows:

(Prime Minister Takeshita)

(A) I fully understand China's position concerning the Kokaryo issue and attach great importance to this issue from the viewpoint of its influence on the overall Japan-China relationship.

(B) There is established in our country the principle of independence of the judiciary, and it is impermissible for the executive branch of government to intervene in court

cases. The government's basic position is that a "just and rational decision" will be obtained through a judiciary hearing.

(C) Fortunately, both our countries are in agreement that it would not do for relations between Japan and China to suffer on account of this issue. From this vantage point, it is essential, with both sides respecting each other's national conditions, to work calmly towards a resolution of this issue.

(D) The government has consistently adhered since 1972 to the position stated in the Japan-China Joint Communiqué of "one China." In this issue, too, it is natural to adhere to this position.

(Premier Li Peng)

(A) I take note of the statement, Prime Minister, that you attach importance to this issue.

(B) We, too, of course, attach importance to this issue. That is to say, this is not a simple issue of a building. The reason is because the building itself has no value but affects the issue of whether one carries out a "one China" policy or a policy de facto of "two Chinas."

(C) We respect Japan's national conditions. We hope that this issue will in the end be handled properly.

(D) We hope that this issue, which is not a large one, does not affect the overall Japan-China relationship.

(Prime Minister Takeshita)

(A) I have been interested in this issue since my time as secretary-general of the Liberal Democratic Party.

(B) I think that my basic understanding of the issue is completely in agreement with yours, Premier.

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4. Evaluation of Past History, Other Issues

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning the evaluation of past history and other issues was as follows:

(Premier Li Peng)

(A) China's view concerning the war of the 1930s and 1940s is that "we must be forward-looking about this."

(B) However, we must respect historical facts. If not, then I think there is no merit in it, not only for the Chinese people but for the Japanese people as well.

(C) This war brought great harm to the Chinese people and, Japan, too, in the latter period of the war and after the war experienced great misfortune. I think that we must make efforts so that such a tragedy will not be repeated.

(Prime Minister Takeshita)

(A) I was 21 years old when the war ended in 1945. My resolve at the time, "to build a world without war," was the point of departure for my becoming a politician. This was in my youth, but I took it upon myself to introduce it.

(B) Accordingly, I will continue with my thinking steeped in the Peace Constitution, the Three Non-Nuclear Principles, and, more than anything, exclusively defensive defense. I am convinced that the Japanese people support it.

(Premier Li Peng)

(A) You spoke of your aspiration when young to create a world without war, that is, a world of peace. This is a wonderful thing, truly something in line with the times.

(B) There was talk concerning your country's defense policy. I hope, Prime Minister, that you take seriously how, in international society at present, Southeast Asia and China are expressing concern over the increase in Japan's defense power. I think that you can understand such a feeling on the part of China.

(Prime Minister Takeshita)

In our country, I sent Japan Defense Agency Director-General [Tsutomu] Kawara to

Indonesia and Singapore and had him explain the basis of our country's defense policy. I was going to continue having him explain it but, due to the recent submarine accident, the director-general was relieved of his position. I would like to continue with explanations to various countries.

[page break]

5. Shanghai Railway Accident

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning the Shanghai Railway Accident was as follows:

(Prime Minister Takeshita)

I continue to earnestly desire that China adopt a sincere response concerning the Shanghai Railway Accident.

(Premier Li Peng)

(A) In March this year, an unfortunate railway accident happened, and there was harm to the Japanese side. This accident happened on account of a Chinese railway. I would like to offer once again our apologies regarding this.

(B) I hope that our two governments will handle this problem appropriately in exercising their influence and respecting national conditions in each country.

[page break]

6. Issue of Japanese Orphans Left Behind in China

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning the issue of Japanese orphans left behind in China was as follows:

(Prime Minister Takeshita)

Having obtained the cooperation of your country's government so far, we smoothly carried out the search for relatives of orphans and returned them to Japan for permanent residence. The Government of Japan gives thanks to your country's government, those involved, and the adoptive parents. The Government of Japan, wishing to continue looking for relatives until the final orphan, requests your continuing cooperation.

(Premier Li Peng)

The Chinese government has consistently handled the issue of searching for the relatives of Japanese from a humanitarian standpoint and the overall situation of friendship between China and Japan. We would like to continue supporting that.

[page break]

7. VIP Visits

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning VIP visits was as follows:

(Prime Minister Takeshita)

(A) Mutual visits of leaders from our two countries play a great role in increasing mutual trust and developing friendly relations between us.

(B) I understand that when Special Envoy Ito visited China and invited you, Premier, to visit Japan, you happily accepted the invitation. I met the Special Envoy yesterday and the day before that in the National Diet. I hope to have the opportunity to see you again in Tokyo as soon as possible. As for a specific season, how about a visit next spring when the cherry trees are in bloom? If your visit to Japan is realized, Premier, we will have the government and the people welcome you.

(C) We have already invited General Secretary Zhao Ziyang to visit Japan, and I would like to have him visit Japan at his earliest convenience. We also hope to realize as soon as possible the visits to Japan of National People's Congress Standing Committee Chairman Wan Li and Foreign Minister Qian. As for Minister Qian, we

expect that if we could have him visit Japan in late October this year, the tenth anniversary of the exchange of ratified documents for the Treaty of Peace and Friendship between Japan and China, the tenth anniversary would be deeply significant.

(Premier Li Peng)

(A) I am grateful for the Japanese government's invitation and for yours, Prime Minister, to me. I would be delighted if I were able to visit Japan when the cherry blossoms are in full bloom.

(B) I would like you to talk to General Secretary Zhao Ziyang about the invitation when you see him tomorrow. I will convey your invitation to Chairman Wan Li.

(Foreign Minister Qian)

I am very grateful for the invitations from Japan. I am making preparations (in Chinese: *zhunbei*) for a visit to Japan in late October this year.

(Prime Minister Takeshita)

In an old Japanese tale, lovers come at the time the cherry trees bloom in the third month. It is that sort of feeling.

(Premier Li Peng)

The third month of the old calendar has become the fourth month of the new one, I think.

(The result, when we sought confirmation with the Chinese side after the meeting concerning Premier Li and Minister Qian visiting Japan, was that they said that they had no objection to our announcing the line that both men had received invitations for the aforementioned times.)

[page break]

8. Basic Understanding of Japan-China Economic Relationship

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning the basic understanding of Japan-China economic relations was as follows:

(Prime Minister Takeshita)

The basic understanding of the Japan-China economic relationship - that Japan and China, two countries with different systems, are aiming for further development as close economic partners and continuing their joint efforts - is something that can stand proudly before the world. In the background to this is your country's modernization policy, above all the policy of reform and opening and the existence of good and stable relations between Japan and China.

(Premier Li Peng)

China is the largest developing country in Asia and the world. On the other hand, Japan is a developed industrial country with sophisticated technology. Accordingly, our two countries have a broad relationship in economic and technical cooperation. In adopting the partner's strengths and in offsetting the shortcomings of our own countries, we can leverage the various strengths we have in the exchanges.

[page break]

9. Economic Relations, Including Issue of GATT Entry

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning Japan-China trade relations was as follows:

(Prime Minister Takeshita)

At present, our country is undertaking economic structural adjustment to correct foreign imbalances. One can say that economic relations with your country, which is striving for reform and opening, have reached a new stage whose aim is a complementary relationship. In that sense, the recent improvement in the trade imbalance, in particular the increase in your country's exports to Japan, is welcome news. For the long-term development of trade relations between Japan and China, we

need to continue working positively in the direction of expansion and balance. Also, concerning your country's joining the General Agreement on Tariffs and Trade (GATT), that would be welcome from the vantage point of the development of global trade. Our thinking is to support your country as much as possible.

(Premier Li Peng)

(A) The development of trade between Japan and China is very fast. Japan is now the most important partner for China. It cannot be denied that, until recently, China's trade deficit with Japan was relatively large. But I would like to highly appraise how, recently, due to the efforts of both sides and in particular due to the efforts of the Japanese side, the imbalance has improved. Understandably, according to the Chinese side's statistics, an imbalance still exists. That we are gradually reducing the imbalance and ceaselessly developing trade is important.

(B) I would like you to give consideration to a viewpoint of mine. It is that the Chinese side would like to import more things from Japan, which has to do with how much more Japan imports from China. China has no surplus foreign currency. We hope that you will create better conditions for Chinese goods to enter the Japanese market.

(C) Concerning the GATT, China is one of the countries that created the GATT. Therefore, excluding China is unfair. It is gratifying, Prime Minister, that you recently made a statement in support of China's return to the GATT. China's returning to the GATT has a broad significance, not only for China but for the GATT itself. It is noteworthy that Taiwan, too, is thinking to join the GATT. We do not exclude, following China's return to the GATT, Taiwan's joining GATT as a tariff area.

(Prime Minister Takeshita)

Regarding the GATT issue, based on what you have indicated just now, I would like to ask for your continued cooperation. China is our senior in the GATT.

[page break]

10. Investment and Exchange

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning Japan-China investment and exchange was as follows:

(Prime Minister Takeshita)

With our country's overseas investment growing increasingly active, the interest of our country's enterprises in China is very high. Regarding the promotion of trade with China, our country's government also has a great interest and is making efforts to encourage it. Recently, based on your country's understanding of this, we have appraised your country's working to improve your investment environment. Now that we have arranged to sign the Japan-China Investment Protection Agreement, we are giving a new impetus to the promotion of future investments and exchanges between our two countries. It gives me great pleasure that it can be expected to become a stimulus to the promotion of economic exchanges between our two countries.

Moreover, I highly appraise and respect the positive attitude that those involved from your country have expressed in the negotiations to date. We plan to send here in October this year an investment environment survey team. I am convinced of continued further progress in cooperative relations in this area by means of our two sides working with a forward-looking and realistic posture.

(Premier Li Peng)

(A) We welcome joint ventures with Japanese enterprises. The Chinese side, too, is working to improve its investment environment. Concerning the investment environment, the following points are important: (a) The first one is infrastructure improvement. We are seeing considerable improvement in the coastal region. The second point is tariff policy. China has adopted in regard to foreign enterprises a preferential policy in this regard. (b) Another point is effectiveness in business. In this respect, too, improvements have been made. We would like to make choices according to international practices. Of course, we do not know, having met these conditions, whether or not investments will be made. There is also the issue of investment information for entrepreneurs.

(B) Recently, arrangements were made to agree to and sign the Investment Protection Agreement. One can say that this is a legal guarantee for Japan's entrepreneurs.

(C) At present, Japanese corporate investment in China is approximately 2 billion dollars. Examples of relatively large joint enterprises are (1) Mabuchi's factory in Dalian for small generators; (2) the Sanyo household appliances factory in Shenzhen, and (iii) the Matsushita factory in Beijing for cathode ray tubes. The reason that I mentioned these three projects is that I personally participated in negotiations for these joint-venture projects and visited them. I think that the enterprises that have made these investments have foresight and are successful.

(D) Of course, an investment of 2 billion dollars is only a start. With the conclusion of the investment protection agreement, we are hoping for Japanese enterprises to make even more investments in China.

(Prime Minister Takeshita)

(A) Two decades ago, I was parliamentary vice minister for trade and industry. I also served for a long time as finance minister. I believe that if we arranged Your Excellency's remarks and introduced them to Japanese enterprises, they would earn high praise.

(B) Now that we have concluded the investment protection agreement, and with the [Kisaburo] Ikeura mission soon visiting China, I am convinced that Japan's industrial circles will grow increasingly interested.

[page break]

11. Technology Transfer

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning technology transfer was as follows:

(Prime Minister Takeshita)

The role that technology transfer plays in your country's modernization is a large one. Our country's government, too, has a great interest in promoting the transfer of technology to China. We are thinking about holding a Japan-China technology exchange conference of the interested parties to promote further exchanges in this field. I would like to have the officials in charge look into the specifics for that. The expectation is that, with such a conference, mutual understanding between the Japanese and Chinese sides would be deepened and technology transfer would be conducted smoothly.

(Premier Li Peng)

(A) In regard to technology transfer, we would like the Japanese side to adopt a more positive attitude. Also, in the issue of advanced technology there are the restrictions of the Coordinating Committee for Multilateral Export Controls (COCOM). Of course, COCOM is not only Japan. Other countries are in it as well. But we hope that Japan will play its role in relaxing the COCOM restrictions.

(B) It is said that one reason for COCOM restricting China is that we are a communist country, but this is not logical. China does not affect world peace or the security of the West.

(C) In the Toshiba Machine incident, advanced technology flowed into the Soviet Union and sanctions were levied, but somehow this case came around to China in the end. Many contracts were put off because of it and China suffered considerable losses. Naturally, many of the problems are now resolved, thanks to the efforts of the Japanese side, but some remain unresolved.

(D) We welcome and support your proposal to hold a technology transfer conference.

(Prime Minister Takeshita)

Concerning the administrative sanctions since last year against the unauthorized export, I have been well aware since that time of the losses they have effectively brought to China and would like to continue taking heed of them. Essentially, I would like to make efforts for the further relaxation of restrictions against China.

[page break]

12. Economic Cooperation

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning Japan-China economic cooperation was as follows:

(Prime Minister Takeshita)

(A) As said before, our country has decided to cooperate as much as possible in your country's efforts at modernization. This is our country's basic policy. We have been actively promoting economic and technical cooperation on an official basis with your country. Since 1982, the greatest portion of our country's official development assistance (ODA) has gone nearly every year to your country.

(B) There were discussions within the government to the last moment yesterday and the day before yesterday in regard to yen loans. To put it in an orderly way, we will be bringing to an end the second yen loans in the next fiscal year, one year earlier than initially planned. We intend in regard to your country's eighth five-year plan (1991 - 1995), over a period of six years from fiscal year 1990, to cooperate in aiming for yen loans of approximately 810 billion yen and an untied loan from the Export-Import Bank of Japan of approximately 40 billion yen.

(a) That breaks down into approximately 770 billion yen for 40 projects in your country and approximately 40 billion yen in loans via a financial recycling scheme for development projects in Hainan and Qingdao, to which your country attaches importance as objects of regional integrated development. In addition to that, we are prepared, if necessary, to provide an untied loan from the Export-Import Bank of Japan of approximately 40 billion yen.

Of the recycled portion, the yen loans will target economic infrastructure in various regions. In regard to the Export-Import Bank of Japan's cooperation, as infrastructure is built in Hainan and Qingdao, the expectation is that economic cooperation on a non-government basis will advance to a considerable extent, so it is to respond precisely to these funding needs.

(b) Moreover, in regard to specific yen loan figures and content, we will investigate and examine them. Also, we are conducting a medium-term review in response to your country's specification of its eighth five-year plan and we would like to make our decisions via annual meetings between those responsible in our governments. Also, in regard to the handling of the untied loan from the Export-Import Bank of Japan, I would like to have it discussed at the working level.

(C) In the field of grant aid, there are the China-Japan Friendship Hospital and the Japan-China Youth Exchange Center, which is scheduled for completion next year, as large-scale projects to symbolize Japan-China friendship. We hope that they will play a certain role in the enhancement of your country's public welfare.

Taking this into account, in commemoration of the tenth anniversary of the concluding of the Treaty of Peace and Friendship between Japan and China, we are ready to cooperate on projects in the environmental field, where we know the Chinese side places the highest priority. In regard to specific content, we would like to have experts from the Japanese and Chinese sides examine them promptly.

(Premier Li Peng)

(A) China needs a great amount of funds in its modernization process but, as you know, we lack that funding. We have been receiving a great deal of assistance from Japan for the Four Modernizations. There have been the first and second yen loans, the energy loans, and loans from the Export-Import Bank of Japan.

(B) Just now, Your Excellency, you spoke of a readiness to provide 810 billion yen in new yen loans and a loan of 40 billion yen from the Export-Import Bank of Japan. Your providing us these funds will play a very great role in China's modernization, particularly in infrastructure development. The Chinese government would like to make efforts to respond seriously to such funding cooperation, make good use of it, and attain the proper results. Of course, taking the long view, I think that this funding cooperation will be beneficial not only to China but to Japan as well.

(Prime Minister Takeshita)

Your Excellency said that, taking the long view, there will be merit in it for Japan as well. I think that is right. I think it not appropriate to use the word "aid," so in Japan as well I take care to use the term "mutual cooperation."

(Premier Li Peng)

In regard to grant aid, you spoke of a readiness to cooperate on projects in the field of the environment. This is something proposed from the Chinese side, and I would like to agree to it. The selection of such projects is very significant. We are now advancing the modernization of industry and agriculture. Along with this, the environmental issue is also important, and Japan's cooperating by means of its advanced equipment and technology has an important significance.

[page break]

13. Entry of Chinese Construction Businesses into Japanese Market

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning the entry of Chinese construction businesses into the Japanese market was as follows:

(Premier Li Peng)

I would like Chinese construction businesses to enter the Japanese market. On this point, the Chinese side has opened China's construction market to the Japanese side. Many Japanese enterprises are participating in construction work in China. I would like to ask you, in the same way, to open the Japanese construction market. The Chinese side would like to act per the Japanese side's requirements and contracts and to obtain the facilities in this respect.

(Prime Minister Takeshita)

Our country's construction market in its organization has no discrimination between the domestic and the foreign. There is no discrimination against foreign enterprises merely for being foreign. If there is a desire to enter our country's construction market, then I would like to see enterprises make a positive effort in obtaining the construction permits and meeting the other necessary conditions. Also, Deputy Chief Cabinet Secretary [Ichiro] Ozawa, sitting here, is the most informed person in Japan regarding this issue.

(Premier Li Peng)

Your Excellency, I am pleased to hear you adopt a positive attitude on the entry of Chinese construction businesses into the Japanese market. Given the opportunity of your visit to China, I would like to direct Construction Minister Lin to have an exchange of views on this issue with Deputy Chief Cabinet Secretary Ozawa. Naturally, if convenient to the Deputy Chief Cabinet Secretary, then we would be fine with a future opportunity. It would only be an exchange of views.

[page break]

14. Cultural and Person-to-Person Exchanges

Prime Minister Takeshita - Premier Li Peng

The exchange of the two sides concerning the issue of cultural and person-to-person exchanges was as follows:

(Prime Minister Takeshita)

(A) It goes without saying that further developing political and economic ties between Japan and China is important. In addition to this, recognizing again the importance of the role of cultural and academic exchanges, we have been promoting more than ever exchanges, centered on the youths of our two countries, in such fields as person-to-person exchanges, cultural and academic exchanges, and cooperation in the preservation of cultural properties and historic remains. Our thinking is that harmonious relations between Japan and China can thereby be attained.

(B) Particularly in your country, there is an outstanding cultural tradition, and everywhere there exists an enormous cultural heritage. I am aware that the late Premier Zhou Enlai was someone who did everything he could for the preservation of

cultural properties and the cultural heritage. Our country, too, hopes to further promote cooperation in this field. Using this visit to China as an opportunity for this, for the sake of preserving the Dunhuang caves and studying China's Western region, and on the basis of the continuing efforts made so far by the government and the people of Japan and China, our country's government further wishes to offer new cooperation in facility construction for the preservation of cultural remains in Dunhuang. We would like, in consultation with your country, to put this into concrete form.

(C) I earnestly desire that in further developing such person-to-person, cultural, and academic exchanges between our two countries, the sentimental ties between persons at various levels in our two countries grow broader and deeper and that relations of mutual trust between the peoples of our two countries become unshakable. In regard to cultural exchanges between our two countries, I would like to ask that we continue discussions in the Japan-China Friendship Committee for the 21st Century and other forums.

The Japanese people know that our country's culture developed from the first under your country's influence.

(D) At present, approximately 5,700 students from your country are enthusiastically studying in our country. In addition, there is also growth in the number of Japanese students going to China to study.

(E) In accepting foreign students, aiming for quality together with quantity is important. On the basis of such an understanding, our country established in April this year the

Forum on the Promotion of International Exchange of Students and we have been working towards an integral promotion of wide-ranging measures, such as establishing a system to accept students at universities and elsewhere. Our country's economic and industrial circles are enthusiastic regarding the issue of foreign students. I would like to ask for your country's cooperation as well.

(Premier Li Peng)

(A) I welcome, Prime Minister, your statement concerning the importance of cultural and academic exchanges. I think that both our countries have much that they can learn from the other in the area of culture.

(B) The movie *Silk Road*, based on Mr. Yasushi Inoue's original work, has been released in China as well and has become a big hit. I think that the Japanese people's understanding of the cultural property that is Dunhuang is deepened through this movie's screening in Japan. I welcome your statement of providing assistance for the preservation of the Dunhuang historical remains.

(C) Both China and Japan are sending students to each other's country. These student exchanges are useful in friendship, economic, and cultural exchanges between our two countries. I agree with your view, Prime Minister, on quality over quantity. We would like to make more efforts in this area. We have taken note, Prime Minister, of your consideration for the foreign students in Japan, not only for the Chinese ones but for all foreign students.

(D) Other than foreign students, your country is also accepting our students trainees, who are receiving training at factories and elsewhere while studying. This is significant, and we would like to continue having your support. Those training in Japan are not laborers. In China's case, many of them are technicians.

(Prime Minister Takeshita) I think that, as spiritual culture from your country has influenced us, it is appropriate that we cooperate in science and technology and such.

[page break]

II. China's Internal Affairs

1. China's Internal Affairs in General

(1) Prime Minister Takeshita - Chairman Deng Xiaoping

(Prime Minister Takeshita)

The time before, when Your Excellency met Mr. [Susumu] Nikaido, he heard that you

had told the late Prime Minister Ohira that your goal by the end of the century was to reach Chinese income per capita of 800 dollars. Did that figure come to you in a flash, Your Excellency?

(Chairman Deng)

Speaking of this brings back to me memories of the late Prime Minister Ohira. This goal is something that came to me in a hint from the late Prime Minister Ohira. Long associated with Prime Minister Ohira, I was present at his meeting in 1975 with Chairman Mao, when the latter was still alive. This was at the time of my second rehabilitation. A year later, I had fallen once again. Other than that occasion, I met Prime Minister Ohira a number of times. When he became prime minister and came on a visit to China, I spoke to him alone. Mr. Ohira asked me what were China's specific goals in modernization. I had made goals of economic construction and modernization since the Third Plenum at the end of 1978, but I had not thought of any specific ones. For a minute, I had no answer and was silent. Then, as there was a bit of time, two decades, before the end of the century, and at the time the gross national product per capita was 250 dollars, I decided on a doubling of income each decade for a goal of 800 to 1,000 dollars by the end of the century. Afterwards, because it was estimated that the population would be 1.2 billion people at the end of the century (although the outlook now is for 1.25 billion people), I thought a goal of 800 dollars was more sound. Making the calculation with the figure for 1980 as the base, we achieved a doubling two years ahead of time. Seeing the way in which China's economy is developing, I think that there will be no problem in reaching by the end of the century the goal of 800 to 1,000 dollars. Frankly speaking, we can reach the goal of 800 to 1,000 dollars even without undertaking major reform. However, in the next century, over a period of five decades, we cannot achieve without reform our goal of reaching the level of the middle ranks of the advanced countries. That is to say, after reaching our goal of a gross national product of 1,000 dollars per capita by the end of the century, we are thinking to aim for 4,000 dollars within another five decades after that. One major problem, which one should call a legacy of history, is that of the various subsidies (in Chinese: *butie*). In the 1980s, the country's subsidies burden has become heavier and heavier. It is thought that the rate of increase in the burden will not effect the rate of economic development in the 1990s, but it will effect it at the start of the 21st century. Accordingly, we have to create in this century the conditions for development in the next one. A major problem is the rationalization of prices.

When I met Prime Minister Ohira, the term "moderately well off" was spoken. This is a term from ancient times in China. When added to "society" for "a moderately well-off society," its meaning is certainly not "affluent." It means that one is able to live comfortably. That is to say, a gross national product of 800 dollars and a population of 1.2 billion people comes to a trillion dollars. In the next century, with a figure per capita of 4,000 dollars and a population of 1.5 trillion people, the country as a whole would reach a scale of six trillion dollars. In that case, our gross national product would reach the world's front rank. Kissinger did a study showing that we would be able to reach our second goal in two decades, not five decades, but when he visited here two years ago, he admitted that the study's calculation had been too optimistic.

It is good to set the goals a little low. If we set high goals and do not make them, then there will be impatience and we will end up running to the left. We are now carrying out price reforms, but there is a danger to this. If we do not do this well and major troubles arise, it will not be good. We set a period of five years for rationalization problems in this field. We must resolutely tackle this. We need to face the difficulties and set ourselves firmly to the task. From abroad there is speculation that China has toned down in regard to the economy, but that is wrong. Particularly in the initial stage, we need to proceed steadily and firmly. The possibility of success is higher that way.

(Prime Minister Takeshita)

At the time of the Ikeda Cabinet in 1960, Mr. Ohira was chief cabinet secretary. He succeeded in putting forth the Income Doubling Plan.

(Chairman Deng)

This, too, was something that came from Prime Minister Ohira's experience? In that area, you, too, Prime Minister, are recognized as an expert.

(Prime Minister Takeshita)

I was finance minister in an Ohira cabinet, so I learned various things about figures from Mr. Ohira.

(Chairman Deng)

What do you think of the possibility of our achieving our plan?

(Prime Minister Takeshita)

I think that reaching your plan is possible. Our country has reached the limit where further growth by ourselves alone is not possible. I said it yesterday to Premier Li as well, but we think that economic cooperation is to the benefit of both sides and, in turn, is tied to the peace and stability of Asia. Accordingly, we have decided not to use the term "economic aid."

(Chairman Deng)

China's economic reform is approaching the stage of a breakthrough, but three conditions are necessary for that. The first is that we must resolutely and steadily implement it. The second is that we must keep an appropriate speed of economic development in this period. In particular, going too fast is something that we must avoid. Nor would it be good to go too slow. The third is the cooperation of foreign countries. If we can obtain international cooperation in this period, then our breakthrough ability will become even stronger.

The Prime Minister's future gifts will certainly not be light. Together with welcoming them, I thank you for them. But I would like to make even greater requests. One is that I would like to raise China's ability to obtain foreign currency through technology transfer from Japan. This is more important than the 6.2 billion dollars (810 billion yen). Without it, China's burden will become greater. Next is the strengthening of investment. Either joint ventures or wholly owned Japanese investment would be fine. We hope for more wholly owned investment. The energy of Japanese small and medium enterprises is great, so China would greatly benefit if more of them invested - either along the coast or inland - and transferred technology. I hear, Prime Minister, that you said that you would like to strengthen technology exchanges. I would like to request of you, Prime Minister, and those accompanying you here, to encourage technology transfer and investment. These two points are more important than the 6.2 billion dollars.

(Prime Minister Takeshita)

I can understand your words, Chairman Deng. I read the notes from when Prime Minister [Zenko] Suzuki met Your Excellency on his visit to China. In them was a passage on the investment protection agreement. Six years later, the investment protection agreement is now to be signed. I think that we must take this as an opportunity to promote real private investment.

(Chairman Deng)

If that happens, it will be advantageous to both sides.

(Prime Minister Takeshita)

It has been arranged for me to go tomorrow to Dunhuang. I understand that Dunhuang is where cultures of East and West met and flowers bloomed and that they were transmitted to Japan. That is to say, the origin of Japanese culture today is from there a thousand or two thousand years ago. Wishing to take the opportunity to point this out to Japan's young people, I decided to go to Dunhuang.

(Chairman Deng)

Very good.

(Prime Minister Takeshita)

Also, taking this opportunity, I would like to strive for more student exchanges. I would like to make efforts for the absorption of your country's spiritual culture and for your students to study science and technology from our country.

(Chairman Deng)

In regard to the issue of exchange students, I think that there are many drawbacks

and shortcomings, as well as problems in management. You will meet Zhao Ziyang in the afternoon. There are many other things that I would like to have you and Zhao discuss. If you would like to ask about Chinese matters, just ask him. Zhao is my chief steward (Chinese: *daguanjia*).

(Prime Minister Takeshita)

I would like to ask you to please take good care of your health and guide us.

(Chairman Deng)

I was just at the seashore. My swimming has not become particularly weaker, and I am still playing bridge as always. My body and mind are both fine.

(2) Prime Minister Takeshita - General Secretary Zhao Ziyang

(General Secretary Zhao)

You mentioned a little while ago the problem of reform in China, but what I would first like to say is that Chinese admire Japanese enterprises. We know that Japanese enterprises experienced both the First Oil Crisis and the crisis of a strong yen but turned the bad into good and moved management forward. I think that this bearing is something that we should study.

Regarding the reform of China's economic system, as you know, a decade has already passed. Certainly, we have greatly developed China's economy by reform and opening. That is to say, we have demonstrated China's economic potential and shown its vitality. However, we are now running into considerable difficulties and new problems. The main problem is that economic development has been too rapid and the problem of inflation has arisen these past two years. Therefore, we have to control both the speed of economic development and prices. One could also speak of price reform and wage reform, but we must move ahead there under such difficult circumstances.

Among Chinese and foreign academics are those who point out that, while Chinese development over the past decade has been wonderful, we may encounter henceforth difficulties similar to those of Eastern Europe, that is, Poland, Yugoslavia, and Hungary. That is because these countries, too, started reforms in the 1970s and, for a time, their economic circumstances were good. This problem is one that we certainly are viewing seriously and one whose danger we must avoid.

My thinking is that we can avoid this danger. The following three points are the reasons for this:

(a) There is a considerable vitality in the Chinese economy. At the stage of deepening reforms in Eastern Europe, the economies there were already coming to a halt. We still have great vitality and potential.

(b) Our reforms were relatively late, so the guiding thought over all was clearer than in Eastern Europe. That is to say, the point is that our thinking is not only to expand enterprise rights but to develop the role of the market. The country manages and guides the market, and the market attracts enterprises. In the case of Eastern Europe, this point was not clear.

In China at present, the market is involved in consumption, funding, finance, and other areas. Our reform is in the direction of shaping the market competition mechanism.

Of course, we need to absorb the lessons of Eastern Europe and adopt a serious attitude. At present, we have entered the stage of deepening reform but, as you said, Prime Minister, not hurriedly. In short, price reform and wage reform are not something to which we adhere alone. We must apply them to reforms in various areas. We must link price reformers to increasing enterprise effectiveness and efficiency.

Also, our reform must pay attention to inflation, restrain it with powerful measures, and restrain the economy from overheating. In the deepening of the reform of the economic system, a stable environment is necessary. The problem arising in our country at present is connected to the overheating of the economy. Therefore, to sum it up, we must look outwards with a serious attitude on the basis of a firm resolve. We must also change our way of doing things in response to changes in the

circumstances and we must avoid large problems.

(c) As for the third point, China at present differs from the countries of Eastern Europe at that time in that we enjoy a relatively good international environment. Speaking from such a vantage point, developing economic cooperation between Japan and China is a plus not only for China's economic development but for reform as well. Of course, the success of reform and the development of the economy in China is extremely beneficial for Japan as well.

Your country is one with a developed economy, and it is possible for you to help the development of other countries, in particular Asia's newly industrialized countries. One can say, too, that this is a task that your country should do. If we look back at history and look forward to the future, strengthening economic cooperation between the advanced and the developing countries is beneficial not only for the developing countries but for the advanced ones as well. Basically, such cooperation is a form of mutual benefit, mutually beneficial relationship, and mutual existence.

(Prime Minister Takeshita)

(A) Your talk of acting in light of Eastern Europe's economies was impressive. As someone who has long been involved in finance and economics, I would like to make academic use of it as a reference.

(B) The analysis of the present circumstances as one where the international environment is in good order is truly on the mark. Our country highly appraises your country's policy of opening. For some time there has been talk of the North-South problem, but there is no development in the North without development in the South. My own conviction is that good relations between Japan and China are tied to the Asia-Pacific region's economy, of course, and to peace as well. I have been saying it since yesterday, but we should think not of aid but of cooperation.

(C) What you said, Your Excellency, that the market attracts enterprises, is exactly right. We often use the term "soft landing." Bringing a reform to a soft landing is essential. It will not do to be hasty. Your Excellency praised our country's experience in handling the crises in energy and the strong yen, but excellent labor-management relations were a key to that.

(D) I would like to ask two more questions. The first is about your country's Coastal Region Development Strategy. This is of interest to our country's enterprises as well, and frequent exchange are needed from this point forward.

(General Secretary Zhao)

We very much hope for Japanese enterprises to establish themselves in China's coastal region, whether wholly owned or as joint-venture enterprises. China as a whole is still lagging behind, but the coastal region's investment environment is the best. The coastal region is very advantageous for exchanges between Japan and China in respect to transport as well, and its prospects are broad.

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2. Policy of Reform and Opening

Prime Minister Takeshita - President Yang Shangkun

President Yang's remarks concerning China's policy of reform and opening were as follows:

(A) China is now making every effort to develop its economy. There are two necessary aspects to this: (a) One is our internal reform, which includes reform of both the political system and the economic system. (b) The other is that of opening. In carrying out our policy of opening to the outside world, we welcome our foreign friends cooperating with us. Cooperation with Japan, in this respect, has even more significance. In fact, among our cooperative relationships with foreign countries, Japan is most important partner.

(B)

(a) In foreign countries, people say that "there are conservative and reform factions in Chinese politics." There is the view that they are divided by age or by the generation that participated in the Revolution. The view is that those leaders who are a little older are all conservative and that the young leaders are reformers. In fact,

this is all baseless speculation.

(b) What I will say here is that our entire Party endorses reform and opening. All the leaders endorse it. On the other hand, divisions of opinion within reform on what to do about some specific arrangement has nothing to do with age or participation in the Revolution. This is something normal. I think that such a thing is also in Japanese politics as well. (In China, too) Such a phenomenon will continue to exist. Therefore, there is no meaning in dividing China's leaders into conservatives and reformers.

(C) China's leaders are agreed on the point of better promoting reform and opening. I would be pleased, Prime Minister, if you would convey my words to Japan's businessmen and reassure them.

In response to the above, Prime Minister Takeshita's remarks were as follows:

(A) I also would like to convey your thoughts, President, to Japan's economic circles.

(B) I, too, think that the problem of conservatives and reformists is not one of age. In age, I am 133rd among the 512 members of the Japanese Diet's House of Representatives. By age, I would be among the conservatives. Former Prime Minister Fukuda, who concluded the Treaty of Peace and Friendship between Japan and China, is now 82 years old but constantly talks to me of reform. For example, on the population problem, he talks to me not of Japan's population problem but, based on the global population outlook to the 22nd century, of the food problem. In that sense, I think that he is more a reformist than I am.

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III. International Situation

1. General International Situation

Prime Minister Takeshita - Premier Li Peng

Prime Minister Takeshita, who went first, made the following statement:

(A) Since last year, a number of welcome developments in East-West relations have been seen. Furthermore, as symbolized by the series of US-Soviet summit meetings, there has been progress as well in dialogue between the United States and the Soviet Union. There are also visible a number of movements towards resolving regional conflicts, such as the Iran-Iraq cease-fire, the re-start of South-North talks on the Korean Peninsula, and the efforts of various countries concerning the Cambodia problem.

(B) In the Soviet Union, General Secretary Gorbachev has been carrying out dynamic policies in domestic and foreign policies.

In the past, your country has pointed to the "three obstacles" as essential factors blocking the normalization of relations between China and the Soviet Union. Seeing the Soviet decision to withdraw from Afghanistan and the way that they have been dealing with the Cambodia problem, a certain change in the Soviet foreign posture can be acknowledged.

On the other hand, the Soviets have been taking an increasing interest in recent years in the Asia-Pacific region. Soviet forces in the Far East have been consistently increased; there are no signs of reduction. In addition, there have been no signs of change in the Soviet position in regard to the problem of the Northern Territories, and we cannot sense that Soviet "new thinking" is being carried out there. Recently, however, the meeting between [Yasuhiro] Nakasone and Gorbachev took place. We hope for an accumulation henceforth in such developments.

In response, Premier Li Peng spoke as follows:

(A) We welcome the world situation moving towards a relaxation of tensions. For one thing, this movement is expressed in the agreement between the United States and the Soviet Union on the Intermediate-Range Nuclear Forces (INF) Treaty and the continued holding of talks between the United States and the Soviet Union for the reduction of strategic nuclear arms. For another, it is expressed in the resolution of problems that had been long unresolved or in the movement towards their resolution.

For example, such developments as the Soviets withdrawing from Afghanistan, Iran and Iraq implementing a cease-fire, and the agreement between Angola and South

Africa on a cease-fire should all be welcomed. This makes it possible to protect the peace. As before, however, there is also the danger of war. For example, there is the potential of the arms race between the United States and the Soviet Union moving into space and high technology. I think that peace-loving forces are on the alert and that we must make efforts for a further relaxation of tensions in the world situation.

(B)

(a) In regard to relations between China and the Soviet Union, state relations these past few years have been moving towards normalization and there has been economic and cultural progress. The problem of comprehensive normalization is already on the agenda.

(b) Among the problems blocking the normalization of relations between China and the Soviet Union, one can say that the main one is the Cambodia problem. China thinks that the Soviet Union should exercise its influence on the Vietnamese and press them to withdraw their troops. International opinion at present may feel that the Cambodian problem is being resolved, but its resolution still lies ahead of us. Even now there is no detailed timetable for withdrawal, nor has international monitoring been implemented. The only one with influence on Vietnam is the Soviet Union. Without its military, economic, and weapons aid, Vietnam would be unable to continue its occupation of Cambodia.

(c) Vice-ministerial talks will take place between China and the Soviet Union this month from the 27th, and the Cambodian problem will be discussed. At this point it is difficult to judge what the results will be, but if the Chinese and Soviet sides reach consensus, then I believe that there will be a step forward towards the normalization of relations. There are two essential factors in the normalization of relations between China and the Soviet Union. The first one is that the two countries are neighbors with a 7,000-kilometer border. If relations are normalized, that would contribute to the peace and security of both countries. The second factor is that, even with normalization, there will be no return to the alliance relationship of the 1950s. Countries with the same social system are not necessarily able to maintain friendly relations, and those with different social systems can have friendly relations with one another. This is shown in practice in international society.

(d) As for Gorbachev's "new thinking," some good things have been advertised, but we share your point of view, Prime Minister Takeshita. We are waiting to see it implemented. In his attitude, Gorbachev is not implementing "new thinking" in regard to Japan's Northern Territories. On the problem of the Northern Territories, China has consistently supported Japan's position.

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2. Korean Peninsula Situation

Prime Minister Takeshita - Premier Li Peng

Prime Minister Takeshita started by stating the main points as follows:

(A)

(a) There is no change to our country's basic policy that the Korean Peninsula problem must be resolved peacefully primarily through the direct dialogue of the parties concerned in the South and North.

(b) Even for the ultimate resolution of the problem, that is to say, for the realization of a peaceful re-unification by talks between the parties concerned in the South and North, in the process to date, we consider advancing exchanges - between the South and North, between South Korea and China and the Soviet Union, and between North Korea and Japan and the United States - to be meaningful.

(c) Regarding President Roh's recent Special Declaration of July 7, we support and welcome the South Korean government's having set forth a flexible and constructive position. We strongly hope that the North Korean side responds with similar flexibility. We take favorable note of such movements as the South Korean side's forward-looking response to the North Korean side's proposed joint session of the South Korean and North Korean parliaments.

(B)

(a) Relations between Japan and North Korea, by comparison to those between South Korea and China and South Korea and the Soviet Union, have already progressed considerably in the areas of direct trade and people-to-people exchanges. Our country, too, taking into account South Korea's flexible posture and the progress in relations between South Korea and China and South Korea and the Soviet Union, is prepared to deepen further relations between Japan and North Korea. However, the problem here is that solving the No. 18 Fuji Maru problem is the precondition to everything.

(b) In any case, I would like to have direct talks without preconditions. We recently called publicly on North Korea for direct talks. This was the first time. I strongly hope that North responds to the dialogue.

(c) In regard to your country's relations with South Korea, relations between China and South Korea are advancing quietly and surely in such fields as sports competitions, international conferences, the economy, and tourism. We welcome this as contributing to a relaxation of tensions on the Korean Peninsula. The South Korean side, fully cognizant of your country's international position, sincerely hopes to steadily accumulate exchanges. Our country, too, intends to be unstinting to the extent possible in our cooperation.

In response, Premier Li Peng spoke as follows:

(A) China's position in regard to the Korean Peninsula problem is that North and South Korea are both neighboring countries of China and that China calls for the stability of the Korean Peninsula. Prime Minister, you have already spoken of President Roh's Special Declaration of July 7, but we welcome a position on North-South dialogue that is useful to the stability of the Korean Peninsula. There has also been made from North Korea as well a similar proposal of "dialogue."

(B) We have very good relations with North Korea, but the premise for these relations is the stability of the Korean Peninsula. Beyond this, we can endorse nothing.

(C) Relations with South Korea are steadily advancing in practice. They are particularly developing in the economy area, starting with trade, and in tourism, and their scale is expanding. However, we cannot establish diplomatic relations with South Korea in the near future. If we were to do so, the result would not be beneficial to the stability of the situation at present. It is important not to isolate North Korea from international society.

(D) Concerning the issues outstanding between Japan and North Korea, we hope for direct dialogue.

In response to the above, Prime Minister Takeshita said that he hoped that the Seoul Olympics would contribute to a relaxation of tensions on the Korean Peninsula.

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3. Cambodian Situation

(1) Prime Minister Takeshita - Premier Li Peng

First, Prime Minister Takeshita made the following statement:

(A) Recently, there has been visible a growing momentum towards a political solution to the Cambodian problem. We welcome that. The Soviet Union recently has shown a positive posture towards resolving it. Behind this Soviet posture we see a Soviet policy seeking improved relations with China. From such a viewpoint, we will take note of how the Sino-Soviet vice-ministerial level conference starting on the 27th turns out.

(B) Regarding the peace process going forward, I felt, in meeting His Royal Highness Prince Sihanouk for the first time on his visit to Japan, that there will be particular attention on how the November meeting between Sihanouk and Hun Sen, their third one, goes.

In response, Premier Li Peng made the following remarks:

Since the resolution of the Afghan problem, the interest of international opinion has turned to the Cambodian problem. General Secretary Zhao is going to talk with you in detail tomorrow but, simply speaking, China would not support a government with the Khmer Rouge solely in charge. Also, we would be even less in support of a

government run by Hun Sen. We would support a four-faction coalition government led by His Royal Highness Prince Sihanouk. International opinion is keeping close watch for a government with the Khmer Rouge solely in charge but is overlooking one with Heng Samrin solely in charge. Heng Samrin maintains many troops and holds much ground, and it would be dangerous to overlook these points. The reason is that it would be recognizing the legality of Vietnam's invasion of Cambodia.

(2) Prime Minister Takeshita - General Secretary Zhao Ziyang

This was the part of the meeting between General Secretary Zhao Ziyang and Prime Minister Takeshita on the 26th that concerned the Cambodia issue.

(General Secretary Zhao)

International society is keeping close watch for a political resolution of the Cambodian problem. From the first, I was thinking on the occasion of meeting you, Prime Minister, to ask your view concerning this problem. I understand that His Royal Highness Prince Sihanouk exchanged views with you on his recent trip to Japan. First, I will speak of the Chinese side's view, then I would like to ask for your comments. The Chinese government has consistently endorsed a political solution to the Cambodian problem and has supported every effort and attempt at its just and reasonable resolution. The Foreign Ministry's four-point statement, released on July 1, expresses the Chinese government's positive attitude towards the resolution of the Cambodian problem. The Cambodian problem was caused by Vietnam's sending troops into Cambodia. Vietnam's withdrawing troops is the key to whether or not Cambodia will be able to recover its independent, neutral, and non-aligned status. Vietnam has merely been saying that it will carry out a withdrawal of its troops. In reality, it has been acting by one means or another to put off troop withdrawal. Accordingly, in a political solution to the Cambodian problem, the thing to which international society must pay the most attention is Vietnamese troop withdrawal. Seeking to prevent the Khmer Rouge from taking sole control of the government after the withdrawal of Vietnam's troops is understandable, but a more pressing and greater danger is Vietnam's scheme to rationalize a Cambodian puppet regime by having Heng Samrin's faction take sole control of the government. Four armed factions exist in Cambodia, and Heng Samrin's faction is the strongest in numbers of men, arms, and such.

China's position is the same as that of other countries. We do not endorse a government of the Khmer Rouge alone. However, we absolutely cannot accept a government of the Heng Samrin faction alone. If we allowed this, it would legitimate Vietnam's invasion of Cambodia. China truly endorses the establishment of a four-faction Cambodian government under His Royal Highness Prince Sihanouk. We support sending peacekeeping troops and international observers to prevent a government under the Khmer Rouge alone and, at the same time, one under Heng Samrin's faction alone. Also, in order to prevent internal armed clashes among the four factions and to ensure the smooth implementation of general elections in Cambodia, the four factions should be disbanded, then the four factions should send similar numbers of troops and an army of national defense should be created.

In regard to Cambodia's seat at the United Nations, at the stage where Vietnam does not withdraw its troops from Cambodia, we support Democratic Kampuchea. We do not endorse the vacating of the seat. Also, following Vietnam's withdrawal of troops, we would support a four-faction coalition government. We would not support a coalition government of two or three factions.

China is not interested in a resolution of the Cambodian problem for its own benefit or to expand its sphere of influence. It is in order to support three Cambodian factions, oppose invasion, strictly observe international law, and adhere to the Charter of the United Nations.

(Prime Minister Takeshita)

Thank you for taking the time and giving me a logical explanation.

Our side's thinking agrees with the point, as you said, General Secretary Zhao, that for a resolution of this problem there must be a total withdrawal of Vietnamese troops and the establishment of a four-faction coalition government. There are various ideas regarding peacekeeping troops and monitoring teams. Our side, too, is now giving

thought to this. For now, we are paying attention to what happens at the Sihanouk-Hun Sen meeting planned for November in Paris. I met His Royal Highness Prince Sihanouk for the first time the other day. It seemed that he has a strong desire to resolve the problem.

I understood your principles, Your Excellency, through your logical explanation. I would like to exchange views henceforth with your country regarding this problem, and our country would like to give consideration to what we could do. When Foreign Minister Qian visits Japan in late October, I look forward to a close exchange of views on this problem with Minister [Sosuke] Uno.

(General Secretary Zhao)

Now that our meeting has come to an end, please convey my regards to former Prime Minister Suzuki and previous Prime Minister Nakasone. I would welcome them if there were an occasion for the two of them to visit China.

(Prime Minister Takeshita)

I will take it upon myself to convey this to them.

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4. Pakistan Situation

Prime Minister Takeshita – Premier Li Peng

Prime Minister Takeshita said that the sudden death recently of Pakistan's President Haq was terribly lamentable and hoped that it would not destabilize that country or the region. Premier Li Peng replied that the crash of President Haq's aircraft was a big surprise. He said that China and Pakistan were in a good relationship, believed that there would be no change in bilateral relations due to the change in Pakistan's leader, and hoped for the stabilization of the situation in Pakistan.

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5. Iran-Iraq Conflict

Prime Minister Takeshita – Premier Li Peng

Prime Minister Takeshita said regarding mediation of the Iran-Iraq Conflict that our country, too, wished to promote all possible support, such as sending persons to the United Nations and cooperating on funding. In response, Premier Li said that a ceasefire had already been implemented in the Iran-Iraq Conflict, that China, too, would be supporting the mediation efforts of the United Nations Secretary General, and, at the same time, hoped that Security Council Resolution 598 would be implemented and that peace in the region would be restored by the resolution of the bilateral issues.

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6. Issue of Chinese Missile Exports

Prime Minister Takeshita – Premier Li Peng

Prime Minister Takeshita said: I would like to have an explanation from an appropriate person in regard to your country's missile exports. Premier Li Peng then said that, as there was not much time, he would not dwell on it but (a) China was not selling so many missiles and (b) China had a responsible attitude in regard to sales.

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7. US-China Relations

Prime Minister Takeshita – Premier Li Peng

In regard to US-China relations, Li Peng, following his statement concerning missile sales, made the following statement in regard to US-China relations.

(1) US-China relations over all are stable and good. We hope that such relations will continue to be strengthened and developed.

(2) However, we are dissatisfied regarding some of the issues. That is to say, one of them is the interference of the United States in China's internal affairs. Another one is

the policy of the United States on Taiwan. While the United States gives lip service in saying that the People's Republic of China is the sole government representing China, a considerable number of people, including some in political circles, take the side of "two Chinas." The United States violates the agreement in selling arms to Taiwan. In the area of US-China economic relations, China also has suffered harm from US protectionism. It has not been China where the harm has been the greatest.

(3) At times there are dark clouds over US-China relations, but they are developing for the most part in a favorable direction.