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1. KISHI PLANS TO SEND SPECIAL ECONOMIC
ENVOY TO PEIPING

Comment on:

[Redacted]

Japanese Prime Minister Kishi's decision to send an economic envoy to Peiping this fall apparently is part of a plan to raise trade discussions with Communist China above the private

level. The envoy's mission reportedly will be to exchange views with Peiping government leaders on fundamentals in Sino-Japanese economic relations. He is to refrain, however, from being drawn into any political discussions. The governmental Economic Planning Board, headed by Ichiro Kono, is assembling data for the talks.

A leading Japanese newspaper reports that Kishi's most likely choice for the mission is Tokutaro Kitamura, a leader of the conservative Liberal Democratic party and former finance minister, who is expected to arrive in Peiping in time to attend the Chinese Communist National Festival on 1 October.

The Kishi government is responding gradually to continued pressure from Japanese political and economic circles, which themselves are being stirred up by adroit propaganda from Peiping. There are indications that Tokyo is prepared to relax fingerprint requirements for the admission of a permanent Chinese trade mission to Japan.
(CONFIDENTIAL)

2. SAUDI GROUP SEEKS AGREEMENT WITH JAPAN AS LEVER AGAINST AMERICAN OIL COMPANIES

Comment on:

Saudi government officials who desire an increased share of oil profits from American concessionary companies are pressing Saudi Crown Prince Faisal to order a pending oil agreement concluded with a Japanese company rather than with a competing American firm, [redacted]

[redacted] the American Conorada group was ready to "accept any agreement and pay any amount" to stop the Japanese from obtaining an offshore oil concession for the Saudi-Kuwait neutral zone. Although [redacted] the Japanese would be unable to compete with American companies in any bidding, [redacted] the Japanese were willing to accept Saudi terms, apparently patterned after Venezuela's agreement with Creole Petroleum Company. While preserving the 50-50 principle for division of profits, this provides a number of "fringe benefits" augmenting the share received by the host country. The crown prince was advised that "everyone" was in favor of the agreement with the Japanese and awaiting a directive--apparently to override Finance Minister Sarur, who was willing to receive an American offer. The crown prince's intercession was sought to ensure that the agreement was concluded with the Japanese and not left to competitive bidding.

[redacted] the Japanese agreement to improve the Saudi government's bargaining position with the established American concessionary companies. [redacted]