FROM: Tokyo

TO: Secretary of State

NO: 207, July 26, 7 p.m.

1. Re FUKURYU MARU compensation, Okazaki told me today that Ando, who heads Cabinet committee on Bikini incident problems, had almost succeeded in persuading Yoshida last week that 1.5 billion yen ($4.2 million) was minimum acceptable claim. Okazaki intervened later to insist sum was out of question; he thought he had persuaded US Ambassador go as high as 1 million dollars, but that was limit. Discussion inside government not yet concluded, but Okazaki reasonably confident he can carry agreement. I made no commitment to Okazaki re 1 million figure but indicated some optimism we could go this high for prompt settlement.

2. Believe it important be able conclude agreement immediately, once Okazaki has persuaded his colleagues to sign. Any delay at this point would encourage opposition to whip up press and public and make eventual signature that much more difficult. Accordingly request renewed authority this fiscal year conclude compensation settlement up to 1 million dollars soonest.

3. View critical importance public relations aspects settlement, draft agreement transmitted July 2 should perhaps be expanded to serve as public statement re conclusion incident. Will cable suggested amendments soonest.

JAK-14