

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	Re: Base Issues and the Future Course of SACO [Special Action Committee on Okinawa] (4 pages)	06/28/1996	P1/b(1)
002. cable	Re: Coalition Parties (5 pages)	07/05/1996	P1/b(1)
003. cable	Re: June 28-29 Visit to Tokyo (15 pages)	07/09/1996	P1/b(1)
004. cable	Re: Scenesetter for NSC Adviser Lake's Visit (6 pages)	07/10/1996	P1/b(1)
005. cable	Re: Take 2 of 2--FMN [Foreign Media Note] -- Opposition to Base Relocation [partial] (1 page)	07/12/1996	P3/b(3)
006. cable	Re: Ambassador Discussion on Okinawa (7 pages)	07/12/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
NSC Cables
Jan 1995-Dec 1996 ([Futenma])
OA/Box Number: 510000

FOLDER TITLE:

[06/28/1996 - 07/12/1996]

2016-0420-F

sb1874

RESTRICTION CODES

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

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Cable

PREC: IMMEDIATE
CLASS: UNCLASSIFIED
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LINE2: ZNR UUUUU ZZH
LINE3: O 280834Z JUN 96
LINE4: FM AMEMBASSY TOKYO
OSRI: RUEHKO
DTG: 280834Z JUN 96
ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 4279
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RUESDJ/FBIS OKINAWA JA
RUCWAAB/FBIS RESTON VA
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RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RUHBBMA/AMCONSUL NAHA 4704
RUAGJHA/CGUSARJ CAMP ZAMA JA//IX CORPS G5//
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUEHKON/AMCONSUL NAGOYA 7986
RUEHOK/AMCONSUL OSAKA KOBE 7230
SUBJ: JAPANESE DAILY PRESS SUMMARY 06/28/96
TEXT:
UNCLAS SECTION 01 OF 05 TOKYO 005975

DEPT FOR E, P, PM, EB, EAP/J AND S/AL
USIA FOR MR AND REA
WHITE HOUSE FOR NSC ROTH
WHITE HOUSE FOR NEC CUTTER
TREASURY FOR OASIA/IMI/JAPAN
DEPT PASS USTR FOR SHAPIRO/WOLD
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E.O. 12356: N/A
TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 06/28/96

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(1) Japan-U.S. Security Arrangement: "Futenma"
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Price and Possible Permanent Settlement of U.S.

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(2) Trailer Houses: U.S. Embassy and Import Agents Jointly to Present Plan on Standards for Japan; By Establishing Industrial Organization Next Month

(3) A Tired U.S. Secretary of State; Even Cancels Meeting with Japanese Foreign Minister; Looks at the Sky at Lyon: "Paris Is Great"?

ARTICLES:

(1) Japan-U.S. Security Arrangement: "Futenma" Shock. (Section 2); Apprehension Over Invisible Price and Possible Permanent Settlement of U.S. Bases in Okinawa; Mayors Following in Footsteps of Governor Ota at Okinawa's Turning Point in Postwar Period (Part 6 (Continued))

ASAHI (Page 4) (Excerpts) June 23, 1996

"We have been carrying out urban development avoiding the prime part of the city," remarked an Okinawa prefectural official standing on a hilltop overlooking Ginowan City earlier this month.

The U.S. base occupies one-fourth of Ginowan's central part, which is more than Tokyo's entire bay-area city development zone. The official sighed deeply thinking of the congested housing situation outside the U.S. base facilities.

Ginowan City has a hill that was dyed red with the blood from the Battle of Okinawa. The hill is now densely populated with thousands of houses. Halfway up the hill stands Governor Masahide Ota's private residence directly under the flight course of aerial refueling aircraft.

Time and again Governor Ota has refused to listen to his aides' advice calling for sound-proof construction. "Such would only encourage the U.S. base to settle here permanently," is his reason.

Pressure from Central Government

"Okinawa is now facing a major postwar turning point," said Governor Ota on June 21, the day the Okinawa prefectural assembly passed an ordinance calling for a prefectural referendum regarding the base issue.

"The Japan-U.S. Special Action Committee (SACO) will produce its conclusion in November. Turning over what is decided there would be difficult. It

is important that we let the two governments know at this point what the Okinawans really want."

Until the night before, Governor Ota was in the

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TREASURY FOR OASIA/IMI/JAPAN

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United States on his fifth trip. During his week-long U.S. stay, Ota met with 11 key policymakers, including Defense Secretary Perry and Deputy Assistant Secretary Campbell. He was desperate to transmit the Okinawan message to the U.S. before "relocation conditions" are determined.

"If we can have (Futenma) back unconditionally, I'll be happy to visit Washington and thank everyone there," said Governor Ota, who turned 71 this month, on his way back from the U.S.

Various forums for discussion have been launched between Okinawa and the central government, and between Japan and the U.S. Yet, only "reversion of Futenma" has been played up and nothing else has been reported formally about the price Okinawa is going to pay for it. Governor Ota was under strong pressure from the central government, particularly from the ruling camp, to make a "compromise."

Around that time, Governor Ota's mind was wavering between rejection and acceptance of the Government's order for promulgation of public view.

"The Governor had the most difficult time in May," recalls an Okinawa official.

The general scenario around that time was that the Supreme Court would hand down its decision on the

Okinawa-appealed proxy signing in around July. If Okinawa lost the case, rejecting the Government's promulgation order would be difficult.

In late May the Supreme Court sent the case to the Grand Bench. The final decision will not be made until the fall.

"I know that some prefectural officials were leaning toward making some sort of compromise if Okinawa could have Futenma back. But now that the Supreme Court decision has been postponed and that conditions are still not clear, they now don't see any reason to change their original stance,"

explained Tadakatsu Nakayama of the Okinawa defense team.

Bloodshed Memories Not Reflected

There was another reason Governor Ota decided not to comply with the Government's order. Last year, the heads of two cities and one village rejected proxy-signing before Governor Ota did so. As for the Government's promulgation order, six more heads in addition to those three turned it down. Their stance did not change even after the Futenma agreement was reached.

At the end of April, the association of 13 Okinawa municipalities released a statement reflecting its strong determination "to reject the base-relocation plan at all costs." The person who organized this move was Seiken Tobaru, the Mayor of Ginowan City where Futenma Air Station is located.

Mayor Tobaru, who rejected proxy-signing six years
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ago, has revealed his firm determination to reject the Government's promulgation order, following Governor Ota's rejection of proxy-signing.

"Accustomed to live with the U.S. base facilities for such a long time, we have almost given up fighting against such a condition altogether. But if we summon our courage and raise our voice, it will reach the Government. We know so from what we achieved in the prefectural-level anti-base drive that arose from the (schoolgirl rape) incident."

During the Battle of Okinawa, one in every four Okinawans died. No family tree is free of bloodshed in Okinawa. But the central government officials who are shifting around the base facilities on paper can never understand Okinawa's pain in a true sense.

The June 9 Okinawa assembly election clearly demonstrated that the "conditional reversion plan" was not enough to boost the coalition's popularity.

Instead, the Okinawans picked persons like Yoichi Iha of Ginowan City, who professed: "The LDP does not deserve to take the credit for the Futenma deal. It was the Okinawans and Governor Ota who brought changes to the policy direction of the governments of Japan and the U.S."

"The conditional reversion plan did not bring about a tail wind for us," recalls one LDP Okinawa chapter member, which lost six seats from the previous 18. With a small margin, the pro-Ota "reformist" group reversed the positions of the ruling and opposition camps. The LDP's partner, SDP also lost four seats in the election.

Illegal Occupation in 12 Facilities

The land leases with some 3,000 landowners covering 12 facilities will expire next May. The slow legal process might result in yet another "illegal occupation" case involving the U.S. armed forces, following the Sobe telecom site.

There are only two options to ward off such a scenario: either to come up with a set of conditions that can satisfy Okinawa, or to make some "legal adjustments" during the extraordinary Diet in the fall to shorten the legal process.

Okinawa has already made it clear to the LDP and the SDP that the Okinawans would not accept any plan to shift some of the base functions to other

sites in Okinawa and that they would oppose legal adjustment of any kind.

The SDP is not totally happy with the "legal improvement" approach. Yet, the party is not yet ready to break up the present coalition arrangement only over such a subject.

(Hidetoshi Sotooka, Shun'ichi Kawabata)

(2) Trailer Houses: U.S. Embassy and Import Agents Jointly to Present Plan on Standards for
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Japan; By Establishing Industrial Organization Next Month

NIHON KEIZAI (Page 15) (Full) June 27, 1996

The United States Embassy and agents importing recreational vehicles (RVs) will join hands to draw up a plan on trailer house-related standards that Japan should adopt. They aim to augment imports of trailer houses to be used as accommodation facilities at camp sites in Japan. As automobile camping has become popular here, imports of trailer houses continue to increase. But owing to the walls that exists within Japan's vertically-fragmented system of administration, Japan has no legal standard set regarding whether to handle trailer houses as a "home" or a "vehicle." An industry association will be established in early July as a promotional body, and it will work out a proposal for a set of standards, using those in the U.S. as reference, as well as work on relevant government agencies such

as the Ministry of Construction (MOC) and the Ministry of Transport (MOT) to take deregulatory steps.

The industry association to be established will be called "Japan RV Import Association (tentative name)." Included among the regular members will be several import agents of trailer houses, such as Mitsubishi Shoji, Tomen Motors, Yanase, Tokyo Domu and American Homes (Tokyo).

The U.S. Embassy as a supporting member of the association, teaming up with the American RV industry association and other organizations will study and then present to the relecant government agencies the standards for trailer houses which have been left vague, as well as other appropriate conditions, such as attached facilities, safety standards, location and method to set up a trailer house.

The embassies of Britain, Germany and Canada also have expressed their willingness to render cooperation in a positive way.

In Europe and the U.S., enjoying ones leisure time on vacation by staying in a trailer house has long been popular. In Japan, following an increase in automobile campsites , approximately 2,000 trailers were imported in 1995, although the total was only about 500 in 1992.

The U.S., has clear standards for trailer houses, treating them as a "vehicle," and many are registered as new cars. But Japan has yet to establish any clear standards, and most trailer houses now in use have been neither approved as a constructed facility nor registered as a vehicle.

Last year, a plan surfaced to use trailer houses as temporary facilities to accommodate victims of the Great Hanshin Earthquake, but it fizzled out in part due to such ambiguous conditions.

The U.S. Embassy and the American RV industry took
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this issue to the Office of Trade Ombudsman (OTO) of the Economic Planning Agency. The OTO issued this March its advice: "The MOT, MOC and other relevant ministry agencies should discuss this issue and come up with a decision within the year."

Reflecting the concern that Japan might apply "duplicate regulations" under the laws now in effect, the U.S. reached the judgment that it is necessary for it to take the lead in drawing up new standards. Upon eliciting cooperation from Japanese import agents, with whom the U.S. side can share interests, the U.S. intends to proceed with talks with the OTO Secretariat and relevant ministry agencies.

(3) A Tired U.S. Secretary of State; Even Cancels Meeting with Japanese Foreign Minister; Looks at the Sky at Lyon: "Paris Is Great"?

NIHON KEIZAI (Page 2) (Full) Eve., June 28, 1996

"Paris is magnificent. Especially on a day like this" U.S. Secretary of State Christopher, who is attending the G-7 Summit, surprised the press corps surrounding him by saying this, while looking at the completely clear sky. He made the statement following his meeting with French Foreign Minister De Charette.

His attention called to this by a flustered aide, he corrected himself, "I know. This is Lyon. This is a really pretty town." Still, the damage had been done. A European wireless service immediately filed: "He had jet-lag from the forced schedule."

The Secretary, who had been visiting Jordan and Egypt, immediately changed his schedule once he found about the bombing at the American base in Saudi Arabia, and went there on the afternoon of the 26th to pay his respects. He touched down in Lyon at 4:00 am on the 27th.

Unable to conceal his fatigue, he cancelled his meeting with Foreign Minister Yukihiko Ikeda, scheduled for after 9:00 that morning.

Regarding the meeting between the two cabinet ministers, one source in the Japanese delegation said, "We are readjusting schedules, but it will be fairly difficult to bring it about."

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DIST:

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Cable

PREC: IMMEDIATE
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RUCPDO/USDOC WASHDC PRIORITY
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INFO: RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 7235
RUEHKOF/AMCONSUL FUKUOKA PRIORITY 0656
SUBJ: MEDIA REACTION, LYON G-7 SUMMIT; TOKYO

TEXT:
UNCLAS TOKYO 005981

USIA

FOR: USIA FOR I/RF, I/RFW, I/GEA, EA, R/MR; STATE/EAP/J,
EAP/P, PM, STATE DEPT. PLS PASS TO USTR/PUBLIC AFFAIRS
OFFICE; TREASURY/OASIA/IMI; NSC; SECDEF FOR OASD/PA; CP
BUTLER OKINAWA FOR AREA FIELD OFFICE

E.O. 12958; N/A
SUBJECT: MEDIA REACTION, LYON G-7 SUMMIT; TOKYO

LEAD STORIES: MOST PAPERS GAVE TOP COVERAGE FRIDAY
MORNING TO THE OPENING OF THE LYON G-7 SUMMIT. THESE
PAPERS ALSO FRONT-PAGED THE START OF TALKS BETWEEN
PRESIDENT CLINTON AND PRIME MINISTER HASHIMOTO. TV
NETWORKS THIS MORNING ALSO CARRIED REPORTS ON THE
CLINTON-HASHIMOTO SUMMIT.

-- TV COMMENTARIES --

1. "LYON SUMMIT ADOPTS SPECIAL STATEMENT AGAINST
TERRORISM" SIX TOKYO TV NETWORKS GAVE TOP COVERAGE IN
THEIR NOON NEWS PROGRAMS (JUNE 28) TO THE OPENING OF THE

LYON G-7 SUMMIT SAYING, "G-7 SUMMIT LEADERS, IN A SHOW OF SOLIDARITY WITH PRESIDENT CLINTON, ADOPTED A SPECIAL STATEMENT CALLING FOR STRONG MEASURES AGAINST INTERNATIONAL TERRORISM FOLLOWING THE DEADLY BOMB ATTACK ON THE U.S. MILITARY HOUSING COMPLEX IN SAUDI ARABIA."

2. "PROGRESS SEEN ON TRADE ISSUES" QUASI-GOVERNMENTAL NHK-TV REPORTED FROM LYON, "USG OFFICIALS SAY PRESIDENT CLINTON URGED PM HASHIMOTO TO COMPROMISE IN SETTling SEMICONDUCTOR AND INSURANCE DISPUTES AT AN EARLY STAGE. NHK SAID THIS IS BECAUSE CLINTON IS EAGER TO DEMONSTRATE THE POSITIVE OUTCOME OF HIS TALKS WITH HASHIMOTO TO THE AMERICAN PEOPLE AND TURN THE TIDE OF THE PRESIDENTIAL ELECTION, SET FOR THIS FALL, IN HIS FAVOR.

"HOWEVER, DIFFERENCES REMAIN BETWEEN JAPAN, WHICH CALLS FOR A MULTILATERAL CONFERENCE ON SEMICONDUCTORS AFTER THE EXPIRATION OF THE U.S.-JAPAN MICROCHIP ACCORD, AND THE U.S. WHICH CALLS FOR AN EXTENSION OF THE ACCORD. DIFFICULT NEGOTIATIONS ARE EXPECTED. THE U.S. CONTINUES TO INSIST THAT JAPAN COMPROMISE IN SETTling PENDING TRADE ISSUES BECAUSE THE PRESIDENT ALSO MADE A COMPROMISE DURING HIS TALKS WITH THE PRIME MINISTER IN TOKYO LAST APRIL BY AGREEING ON THE RETURN OF FUTENMA AIRFIELD ON OKINAWA. PRESIDENT CLINTON WANTS TO SETTLE TRADE ISSUES WITH JAPAN BEFORE THE FULLFLEDGED START OF HIS PRESIDENTIAL CAMPAIGN IN AUGUST. UNDER THESE CIRCUMSTANCES, THE U.S. IS EXPECTED TO PRESSURE JAPAN AGAIN AT TRADE TALKS, STRAINING U.S.-JAPAN RELATIONS."

3. "EARLY SETTLEMENT OF SEMICONDUCTOR AND INSURANCE ISSUES EXPECTED" TV TOKYO SAID (JUNE 28), "PRESIDENT CLINTON AND PRIME MINISTER HASHIMOTO AGREED, DURING THEIR HOUR-LONG MEETING PRIOR TO THE OPENING OF THE G-7 SUMMIT, TO SETTLE SEMICONDUCTOR AND INSURANCE DISPUTES BY THE END OF JULY. IT WAS AN UNEXPECTED TETE-A-TETE FOR BOTH LEADERS AT WHICH THEY AGREED ON THE NEED TO SETTLE THE TWO PENDING DISPUTES AS SOON AS POSSIBLE. ALTHOUGH THE U.S. AND JAPAN HAVE BEEN SHARPLY AT ODDS OVER THESE ISSUES, THE POSITIVE OUTCOME OF THE CLINTON-HASHIMOTO TALKS WILL RAISE THE POSSIBILITY OF SETTling U.S.-JAPAN TRADE DISPUTES AT AN EARLY DATE."

4. "CLINTON URGES JAPAN'S COMPROMISE" NTV SAID, "ALTHOUGH PRESIDENT CLINTON AND PM HASHIMOTO AGREED ON AN EARLY SETTLEMENT OF THE SEMICONDUCTOR AND INSURANCE DISPUTES, THE PRESIDENT URGED THE PRIME MINISTER TO COMPROMISE IN SETTling THE ISSUES. THIS WILL CERTAINLY PLACE HASHIMOTO IN A GREAT POLITICAL QUANDARY. THE PRESIDENT'S REQUEST FOR JAPAN'S COMPROMISE WAS A BOLT FROM THE BLUE FOR THE PRIME MINISTER WHO HAD EARLIER SAID HE AND THE PRESIDENT WOULD NOT TOUCH ON TRADE ISSUES IN ANY DETAIL DURING THEIR TALKS. PRESIDENT CLINTON'S REQUEST WAS APPARENTLY POLITICALLY MOTIVATED. IT IS APPARENT THAT HE CALLED FOR AN EARLY SETTLEMENT OF THE SEMICONDUCTOR ISSUE TO SECURE ENOUGH VOTES FROM THE 'SEMICONDUCTOR' STATE OF CALIFORNIA." BLACKBURN
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SECT: SECTION: 01 OF 01

SSN: 5981

TOR: 960628051254 M2292232

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SIT: CULLIN FAIRFAX FETIG JOHNSON JOSEPH KRISTOFF KYLE PETERS RITTERHOFF
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TEXT: UNCLAS SECTION 01 OF 07 TOKYO 006052

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR
EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA
WASHDC; SECDEF FOR JCS/J-5/JAPAN, OASD/ISA/EAPR/JAPAN;
TREASURY/OASIA/IMI; WHITE HOUSE; COMMERCE FOR DAS;
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COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 2

TOP HEADLINES:

ASAHI: CITY BANKS TO DONATE 506 BILLION YEN, ACCORDING TO
FINANCE MINISTRY'S PROPOSAL FOR ALLOCATION OF BURDENS FOR
JUSEN BAILOUT "FUND"; COORDINATION UNDERWAY FOR FARM-
RELATED BANKS' SHOULDERING OF 20 BILLION YEN

NIHON KEIZAI: U.S. SECURITIES FIRM SOUNDS OUT FINANCE
MINISTRY ABOUT 100 BILLION YEN IN PERSONAL LOANS; FOR
CONVERSION OF JUSEN'S GOOD LOANS INTO SECURITIES FOR
SMOOTH COLLECTION; AS A MEANS FOR EARLY LIQUIDATION
THROUGH SPECIAL PURPOSE COMPANY

TOKYO SHIMBUN: HEALTH AND WELFARE MINISTRY'S PROTECT TEAM COMPILES REPORT ON PREVENTION OF HARMFUL EFFECTS OF DRUGS, SUCH AS AIDS; DIVIDING PHARMACEUTICAL AFFAIRS BUREAU SUGGESTED; OPEN DELIBERATION COUNCIL MAY BE SET UP

MAINICHI: FOUR CONDITIONS FOR EASY DEATH: 14 PERCENT OF DOCTORS: "DO NOT STICK TO SUCH CONDITIONS"; 50 PERCENT OF THE DOCTORS REPLIED RECEIVED REQUESTS FOR STOPPAGE OF MEDICAL TREATMENT TO PROLONG THE PATIENT'S LIFE; 12 PERCENT SAY, "STOPPED SUCH TREATMENT UPON THE PATIENT'S WILL," ACCORDING TO OPINION POLL BY THIS NEWSPAPER

YOMIURI: CITY BANKS TO DISBURSE 506 BILLION YEN FOR STABILIZATION FUND FOR JUSEN BAILOUT; "1-TRILLION-YEN ALLOCATION PLAN" FIRMED UP; 122 BILLION YEN LIKELY TO BE SHOULDERED BY LONG-TERM TRUST BANKS AND 178 BILLION YEN BY TRUST BANKS (ARTICLE IN ENGLISH ED.)

SANKEI: HEALTH AND WELFARE MINISTRY'S MEASURES AGAINST RECURRENCE OF HARMFUL EFFECTS OF PHARMACEUTICALS; PHARMACEUTICAL AFFAIRS BUREAU LIKELY TO BE DISMANTLED; MANUAL TO INVOKE ORDER FOR COLLECTION; TO CARRY OUT SUCH MEASURES NEXT FISCAL YEAR; SELF-SUPPLY OF BLOOD PRODUCTS NOW UNDER STUDY

SOBE TELECOM SITE: GOVERNMENT TO ORDER OKINAWA GOVERNOR TOMORROW TO SIGN LEASE (MAINICHI - PAGE 2)

ON JULY 1, OKINAWA PREFECTURE'S GOVERNOR MASAHIRO OTA REFUSED PRIME MINISTER RYUTARO HASHIMOTO'S REQUEST PERTAINING TO THE OFFICIAL ANNOUNCEMENT AND POSTING FOR PUBLIC REVIEW OF AN APPLICATION FOR ARBITRATION ON LAND EXPROPRIATION IN THE PROCEDURES FOR THE GOVERNMENT'S CONTINUING ITS FORCIBLE USE OF A PORTION OF THE LAND LOTS CURRENTLY OFFERED TO THE U.S. FORCES' SOBE RADIO STATION. IN RESPONSE, THE GOVERNMENT WILL SEND A "WRITTEN ORDER" ON JULY 3 AT THE EARLIEST. FURTHERMORE, THE GOVERNMENT WILL ALSO TAKE LEGAL PROCEEDINGS AGAINST OKINAWA PREFECTURE IN THE MIDDLE OF THIS MONTH AT THE EARLIEST FOR ITS EXECUTION OF GOVERNMENT-ASSIGNED FUNCTIONS. GOVERNOR OTA HAS STATED THE REASON FOR HIS REFUSAL OF THE REQUEST, "IF THE FUTENMA AIRFIELD'S RETURN IS PRECONDITIONED ON ITS RELOCATION WITHIN OKINAWA PREFECTURE, THAT IS NOT FULLY CONVINCING TO THE PREFECTURE'S PEOPLE." SO, IT IS NOW FEARED THAT FUTURE CONSULTATIONS IN THE JAPAN-U.S. SPECIAL ACTION COMMITTEE (ON FACILITIES AND AREAS IN OKINAWA) (SACO) MAY BE DEADLOCKED. INCLUDING THE PROPRIETY OF MAKING A SPECIAL LAW TO EXPEDITE THE LAND-EXPROPRIATION PROCEDURES, THE OKINAWA PROBLEM WILL LIKELY BECOME A MAJOR POLITICAL ISSUE.

REGARDING A PLOT (COVERING AN AREA OF 236 SQUARE METERS) OWNED BY ONE OF THE LOCAL LANDOWNERS AS A PORTION OF THE SOBE TELECOM SITE, GOVERNOR OTA HAS REFUSED PROXY SIGNING, AND THE GOVERNMENT HAS NOW FILED AN APPLICATION WITH OKINAWA PREFECTURE'S EXPROPRIATION COMMISSION FOR

ARBITRATION ON LAND EXPROPRIATION IN CONFORMITY WITH THE
LAW ON SPECIAL MEASURES FOR SECURITY FORCES' USE OF LAND
(THE COMPULSORY PURCHASE OF LAND LAW IS TO BE APPLIED
CORRESPONDINGLY FOR THE PROCEDURES), WITH A COURT
DECISION OBTAINED FROM THE FUKUOKA HIGH COURT'S NAHA
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FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR
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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 2

BRANCH.

THE OFFICIAL ANNOUNCEMENT AND POSTING FOR PUBLIC REVIEW
OF A FILED APPLICATION IS A STEP REQUIRED FOR THE
EXPROPRIATION COMMISSION TO START ITS EXAMINATION. IF
THE GOVERNOR REJECTS EVEN THE GOVERNMENT'S "ORDER," THEN
THE GOVERNMENT WILL HAVE TO GO THROUGH COURT PROCEDURES
OVER AGAIN.

AS FOR THE SOBE SITE, THE GOVERNMENT'S USE OF IT
TERMINATED IN APRIL THIS YEAR. ACCORDINGLY, THE SITE HAS
BEEN IN "ILLEGAL USE" SINCE THEN. THE GOVERNMENT'S
COURSE OF ACTION, ACCORDING TO JAPAN DEFENSE AGENCY
ADMINISTRATIVE DEPUTY DIRECTOR GENERAL NAOAKI MURATA, IS
THAT IT "CANNOT BUT GO THROUGH THE NECESSARY
ADMINISTRATIVE PROCEDURES."

ON THE OTHER HAND, REGARDING THE PROBLEM OF U.S. MILITARY
BASES ON OKINAWA, A GRAND BENCH OF THE SUPREME COURT IS
EXPECTED TO HAND DOWN A JUDGMENT IN SEPTEMBER AT THE
EARLIEST ON THE (GOVERNMENT-INSTITUTED LAWSUIT FOR) PROXY
SIGNING. A DIETMEMBER ELECTED FROM OKINAWA PREFECTURE
SAYS THAT THE OKINAWA PREFECTURE SIDE "IS NOT EXPECTING A
DECISION IN FAVOR OF OKINAWA." YET, IT IS CERTAIN TO
BECOME AN OPPORTUNITY TO APPEAL ON THE ACTUAL SITUATION
THAT THE PRESENCE OF U.S. MILITARY BASES THERE INFRINGES
THE PEOPLE'S RIGHTS. (NATSUKI MOTOTANI (OR MOTOYA?),
MAINICHI SHIMBUN)

PROXY SIGNING LAWSUIT: GOVERNOR OTA TO APPEAR IN SUPREME COURT ON JULY 10

REGARDING THE "LAWSUIT (INSTITUTED BY THE GOVERNMENT AGAINST OKINAWA PREFECTURE) FOR PROXY SIGNING" OVER THE ISSUE OF THE GOVERNMENT'S CONTINUING ITS FORCIBLE USE OF U.S. MILITARY LAND LOTS IN OKINAWA, THE SUPREME COURT AND THE GOVERNMENT AND OKINAWA PREFECTURE HELD CONSULTATIONS AT THE SUPREME COURT ON JULY 1. AS A RESULT, IT HAS BEEN DECIDED THAT GOVERNOR MASAHIDE OTA HIMSELF WILL STATE HIS OPINION FOR 15 MINUTES IN ORAL PROCEEDINGS SCHEDULED FOR JULY 10 IN A GRAND BENCH.

SHINSHINTO WILL COOPERATE ON SPECIAL LEGISLATION TO SPEED UP BASE LAND-LEASE PROCESS (YOMIURI - PAGE 2)

NEW FRONTIER PARTY (SHINSHINTO) EXECUTIVE BOARD CHAIRMAN WATANABE GAVE A SPEECH AT A HOTEL IN TOKYO ON JULY 1, AND THEN TOUCHED ON THE GOVERNING PARTIES' LOOKING INTO THE POSSIBILITY OF MAKING A SPECIAL LAW TO EXPEDITE THE GOVERNMENT'S FORCIBLE EXPROPRIATION OF LAND LOTS IN OKINAWA FOR U.S. ARMED FORCES. CONCERNING THIS MATTER, WATANABE REMARKED, "CHIEF CABINET SECRETARY KAJIYAMA IS WORRIED ABOUT JAPAN-U.S. RELATIONS (SO HE IS CONSIDERING SUCH LEGISLATION). BUT HE HAS FAILED TO REACH AN AGREEMENT YET WITH THE SOCIAL DEMOCRATIC PARTY. THE LIBERAL DEMOCRATIC PARTY'S SECRETARY GENERAL KATO IS TRYING TO MOVE UP POLICIES THAT COULD UPSET THE FOUNDATION OF THE RULING COALITION." WATANABE ADDED, "FOR THE SAKE OF THE NATION AND THE PEOPLE, IT IS ALSO LIKELY THAT WE MAY EXTEND COOPERATION BEYOND PARTY INTERESTS AND TACTICS, IF NEED BE." THIS REMARK INDICATES A POSITIVE POSTURE TOWARD COOPERATING WITH THE LDP INCASE THE THREE RULING PARTIES FAIL TO COORDINATE THEIR RESPECTIVE STAND

MEANWHILE, SHINSHINTO PRESIDENT OZAWA HAS SAID, "THERE IS SOMETHING WRONG IN OKINAWA, SO THE GOVERNMENT IS GOING TO MAKE A SPECIAL LAW JUST FOR THAT PLACE. SUCH A MAKESHIFT ARRANGEMENT IS NO GOOD. WE SHOULD CHANGE THINGS IN A DRASTIC WAY." REGARDING THIS REMARK WHICH CAN BE TAKEN EVEN AS HIS REMAINING NEGATIVE, A SHINSHINTO LEADER EXPLAINED, "HE ALSO RECOGNIZES THE NECESSITY OF FUNDAMENTAL LEGISLATIVE MEASURES."

LDP STARTS FULL-FLEDGED WORK ON ECONOMIC PACKAGE FOR
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USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR
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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 2

OKINAWA (NIHON KEIZAI - PAGE 2)

THE LIBERAL DEMOCRATIC PARTY (LDP) IS NOW IN FULL GEAR IN ITS EFFORT TO MAP OUT OKINAWA PROMOTION MEASURES THAT WOULD MATCH THE PLANS TO REALIGN AND CONSOLIDATE U.S. MILITARY BASES ON OKINAWA. THE AIM IS TO LAY THE GROUNDWORK TO OBTAIN UNDERSTANDING FROM THE OKINAWANS AND THE SOCIAL DEMOCRATIC PARTY (SDP) REGARDING LEGAL ADJUSTMENT, INCLUDING SPECIAL LEGISLATION, BEFORE THE LAND LEASE CONTRACTS WITH SOME 3,000 LANDOWNERS COVERING 12 U.S. MILITARY FACILITIES EXPIRE NEXT MAY.

SOME LDP MEMBERS ARE ESPECIALLY APPREHENSIVE ABOUT THE PRESENT SITUATION, SUSPECTING, "IF NOTHING IS DONE, THE OKINAWA PROBLEM MAY DEVELOP INTO A CONTENTIOUS ISSUE THAT WOULD ROCK THE PRESENT COALITION ARRANGEMENT" (SENIOR MEMBER). IN ADDITION, A VIEW HAS EMERGED THAT CALLS FOR BOLD MEASURES TO FIND A BREAKTHROUGH IN THE ISSUE.

SECRETARY GENERAL KOICHI KATO YESTERDAY IN TOKYO MET WITH FORMER PRIME MINISTER KIICHI MIYAZAWA AND EXCHANGED VIEWS ON MAJOR ISSUES FOCUSING ON THE OKINAWA PROBLEM.

MIYAZAWA REMARKED: "TO HAVE THE LDP LOCKING HORNS WITH THE SDP OVER SPECIAL LEGISLATION WOULD BE THE WORST-CASE SCENARIO. WE SHOULD WORK HARD TO AVOID SUCH A SCENARIO BY MEANS OF FISCAL DISBURSEMENTS AND THE LIKE." KATO AGREED WITH MIYAZAWA. EARLIER ON JUNE 28, KATO ALSO MET RESPECTIVELY WITH CHIEF CABINET SECRETARY SEIROKU KAJIYAMA AND FORMER PRIME MINISTER YASUHIRO NAKASONE AND REAFFIRMED THE LDP SHOULD "MAKE AN UTMOST EFFORT TO REACH AN ACCORD IN THE RULING CAMP BEFORE DISCUSSING SPECIAL LEGISLATION."

IN MID-JUNE THE LDP LAUNCHED WHAT IS CALLED THE "OKINAWA PROMOTION MEASURES SPECIAL RESEARCH COUNCIL" DIRECTLY UNDER ITS PRESIDENT. THE COUNCIL'S BASIC POLICY DIRECTION IS TO LOOK INTO SUCH OPTIONS AS GREATER PUBLIC WORKS OUTLAYS IN THE FY1997 BUDGET, VARIOUS TAX CREDITS, AND THE CREATION OF A FREE TRADE ZONE AND AN INTERNATIONAL HUB AIRPORT/PORT, REFLECTING THE VIEWS OF OKINAWA'S BUSINESS ORGANIZATIONS.

THE COUNCIL IS ALSO PLANNING TO SUBMIT A REPORT TO LDP PRESIDENT HASHIMOTO (PRIME MINISTER) IN MID-AUGUST WITH AN EYE TOWARD THE EXTRAORDINARY DIET IN THE FALL, WHICH

IS LIKELY TO FOCUS ON OKINAWA'S REFERENDUM ON THE BASES SLATED FOR SEPTEMBER AND THE HANDLING OF SPECIAL LEGISLATION.

THE DOMINANT VIEW IN THE LDP IS THAT "SPECIAL LEGISLATION CANNOT BE AVOIDED IN THE END." BUT IN CASE THE GOVERNMENT REALLY DECIDES TO GO FOR SPECIAL LEGISLATION, MANY PERCEIVE, "(THE LDP) NEEDS TO MAKE AN EFFORT UNTIL THE LAST MOMENT TO WIN THE UNDERSTANDING OF THE OKINAWANS. THAT IS THE PREREQUISITE FOR NOT CAUSING A RIFT WITH THE SDP AND WITH OKINAWA GOVERNOR MASAHIDE OTA" (KATO AIDE).

FORMER JUSTICE MINISTER OKUNO BLAMES OCCUPATION FOR QBRAINWASHINGQ JAPAN ABOUT QAGGRESSIONQ (YOMIURI -PAGE 3)

IN A SPEECH GIVEN AT A CEREMONY TO MARK THE 40TH ANNIVERSARY OF THE ADOPTION OF THE CITY SYSTEM OF KASHIHARA CITY IN NARA PREFECTURE, SEISUKE OKUNO, FORMER JUSTICE MINISTER AND A MEMBER OF THE LIBERAL DEMOCRATIC PARTY (LDP) STATED: "IT HAS BEEN 51 YEARS SINCE THE GREATER EAST ASIAN WAR ENDED IN OUR DEFEAT, BUT BECAUSE OF THE INFLUENCE FROM THE OCCUPATION POLICY, (THE JAPANESE) HAVE BEEN BRAINWASHED INTO BELIEVING JAPAN'S ACTS (AT THE TIME) WERE AGGRESSIVE AND CRUEL. I THINK THE NEXT 50 YEARS SHOULD BE A PERIOD FOR US TO COME TO OUR SENSES."

HE THEN REMARKED, "JAPAN HAS BEEN REDUCED TO A COUNTRY THAT HAS LOST ITS PRIDE, SO IT EASILY BOWS TO OTHER

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COUNTRIES." CONTINUING, HE SAID, "EVEN THE MYTHOLOGY RELATED TO THE CREATION OF OUR COUNTRY IS NO LONGER CARRIED IN THE SCHOOLBOOKS. WE SHOULD PASS DOWN OUR

MYTHOLOGY AND LEGENDS FROM GENERATION TO GENERATION AND ALWAYS KEEP OUR TRADITIONS IN OUR MEMORIES."

TALKS ON NORMALIZATION PROCESS FRUITLESS, NORTH KOREAN DELEGATION GOES HOME (YOMIURI -PAGE 3)

THE NORTH KOREAN DISARMAMENT AND PEACE RESEARCH INSTITUTE DELEGATION (LED BY KIM RYON GIL), INCLUDING FOREIGN MINISTRY JAPAN DIVISION DIRECTOR LI CHOL JIN, LEFT JAPAN ON JULY 1. THE MAJOR PURPOSE OF THE MISSION REPORTEDLY WAS TO GRASP THE CIRCUMSTANCES IN JAPAN, AS WELL AS TO MAKE CONTACTS WITH JAPANESE GOVERNMENT OFFICIALS AIMING AT RESUMING NORMALIZATION TALKS. BUT THE RESULT WAS THAT BOTH JAPANESE AND NORTH KOREAN SIDES FOUND IT DIFFICULT TO (AGREE TO) REOPEN THE NORMALIZATION TALKS AT AN EARLY TIME, AS SEEN IN ONE COMMENT, "I FELT A TEMPERATURE DIFFERENCE BETWEEN JAPAN AND NORTH KOREA ON GRAPPLING WITH THIS ISSUE" (NORTH KOREAN FOREIGN MINISTRY SOURCE).

REGARDING THE PURPOSE OF THE DELEGATION, "WE CAME TO JAPAN TO FOR AN ACADEMIC EXCHANGE, (DIRECTOR LI) OSTENSIBLY STRESSED. HOWEVER, THE DISARMAMENT AND PEACE RESEARCH INSTITUTE OF THE KOREAN FOREIGN MINISTRY IS REGARDED AS "THE ORGANIZATION TO MAKE CONTACTS WITH A COUNTRY WITH WHICH NORTH KOREA HAS NO DIPLOMATIC TIES" (JAPANESE FOREIGN MINISTRY SOURCE).

THE MISSION HAD VISITED JAPAN AT THE INVITATION OF THE JAPAN INSTITUTE OF INTERNATIONAL AFFAIRS (JIJA). ON JUNE 26 WHEN IT MET WITH JIJA DIRECTOR MATSUNAGA (GOVERNMENT ENVOY), IT INVITED MATSUNAGA TO NORTH KOREA AS PART OF PROMOTING EXCHANGES BETWEEN THE TWO INSTITUTES.

THE JAPANESE FOREIGN MINISTRY, HOWEVER, TOOK A CAUTIOUS STANCE, ONE OFFICIAL SAYING, "AS MR. MATSUNAGA IS A GOVERNMENT REPRESENTATIVE, (HIS VISITING NORTH KOREA) WILL BE REQUIRE CONSULTATIONS."

THE NORTH KOREAN SIDE UNDERScoreD THE NECESSITY OF AN EARLY RESUMPTION OF THE BILATERAL TALKS, URGING "NORMALIZATION OF DIPLOMATIC TIES BETWEEN JAPAN AND NORTH KOREA IS IMPORTANT NOT ONLY FOR THE TWO COUNTRIES BUT ALSO FOR PEACE AND STABILITY IN THE ASIA-PACIFIC REGION." THE DELEGATION APPARENTLY TRIED TO ELICIT JAPANESE ASSISTANCE FOR THE PURPOSE OF DISSOLVING DOMESTIC UNREST OVER THE FOOD CRISIS AND OTHER ISSUES.

BUT THE JAPANESE SIDE HAS NO INTENTION OF ACCEPTING THE REQUEST OF RESUMING THE BILATERAL TALKS AT THE PRESENT STAGE, BECAUSE), THE NORTH KOREAN SIDE ON THE QUESTION OF PARTICIPATING IN THE FOUR-PARTY TALKS (REPUBLIC OF KOREA, NORTH KOREA, UNITED STATES, AND CHINA) HAS INSISTED THAT "IT IS NECESSARY TO LOOK INTO IT CAUTIOUSLY."

CHIP TALKS AT U.S. PACE; PRESSURING JAPAN FOR GOVERNMENT-TO-GOVERNMENT AGREEMENT (YOMIURI - PAGE 7)

WITH THE EXPIRATION OF THE JAPAN-UNITED STATES

SEMICONDUCTOR AGREEMENT A MONTH AWAY, THE U.S. IS GRADUALLY BEGINNING TO DICTATE THE PACE OF THE BILATERAL CHIP TALKS, OCCASIONED BY THE SUMMIT MEETING (JUNE 27) HELD IMMEDIATELY BEFORE THE LYON SUMMIT (INDUSTRIALIZED NATIONS' SUMMIT CONFERENCE). THE NEW DEVELOPMENT HAS BEEN INITIATED BY THE CLINTON ADMINISTRATION, WHICH IS TRYING TO SCORE POINTS IN PREPARING FOR THE UPCOMING PRESIDENTIAL ELECTION. THE POSSIBILITY IS NOW THAT JAPAN, WHICH HAS BEEN PLANNING TO PURSUE NEGOTIATIONS WITH THE U.S. BY ALLYING WITH THE EUROPEAN UNION (EU), MAY HAVE TO CHANGE ITS STRATEGY.

IN THE RECENT BILATERAL SUMMIT MEETING, THE TWO TOP LEADERS AGREED "TO COME UP WITH A SETTLEMENT THAT IS
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ACCEPTABLE TO BOTH SIDES BY THE END OF JULY." IN THE TJTE-@-TJTE THAT FOCUSED ON ECONOMIC ISSUES, INCLUDING MICROCHIPS, THE TWO TOP LEADERS REPORTEDLY EXCHANGED IN-DEPTH VIEWS, TRYING TO SEARCH FOR A SETTLEMENT LINE.

THE JAPANESE SIDE HAS UNTIL NOW REJECTED THE U.S. GOVERNMENT'S REQUEST FOR A NEW AGREEMENT, REASONING: (1) PRIORITY SHOULD BE GIVEN TO PRIVATE-SECTOR NEGOTIATIONS. GOVERNMENT INVOLVEMENT SHOULD BE BASED ON A PRIVATE-SECTOR AGREEMENT; AND (2) IT IS IMPROPER FOR THE TWO COUNTRIES ALONE TO MAKE AN ARRANGEMENT ON THE SEMICONDUCTOR INDUSTRY, WHICH IS NOW A GLOBALIZED INDUSTRY.

HOWEVER, AFTER THE TWO TOP LEADERS AGREED TO REACH A POLITICAL SETTLEMENT ON THE ISSUE BY THE END OF THIS MONTH, PRIME MINISTER HASHIMOTO IN A PRESS CONFERENCE HINTED AT A STANCE OF NOT REGARDING THE EU, WHICH THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) HAS

BEEN TRYING TO BRING INTO THE FOLD, AS AN EQUAL NEGOTIATING PARTNER, NOTING, "IF THE EU SEEKS FOR A TRIPARTITE FRAMEWORK REGARDING CHIPS, THE EU HAS TO BRING ITS TARIFFS ON CHIPS DOWN TO ZERO."

UNLIKE THE CASE OF LAST YEAR'S AUTO AND AUTO PARTS NEGOTIATIONS, MITI HAS HAD COMPOSURE DURING THE CHIP TALKS, BECAUSE "EVEN IF THE NEGOTIATIONS FALL THROUGH, THERE WILL BE NO SANCTIONS. IT IS JUST THAT AN UNNECESSARY PACT WILL GO OUT OF EXISTENCE" (SENIOR MITI OFFICIAL). AFTER THE SUMMIT MEETING, THE U.S. SEMICONDUCTOR INDUSTRY ASSOCIATION (SIA) ISSUED A STATEMENT, WELCOMING THE OUTCOME OF THE SUMMIT MEETING, NOTING, "INVOLVEMENT HAS BEEN SECURED AT THE HIGHEST POLITICAL LEVEL." THE JUDGMENT IS THAT "BREATHING SPACE" JAPAN HAS BEEN CALCULATING ON HAS COLLAPSED.

MITI ADMINISTRATIVE VICE MINISTER TOMIO TSUTSUMI AT A NEWS BRIEFING HELD YESTERDAY REMARKED, "WE HAVE NO SPECIFIC IMAGE REGARDING HOW SUCH A SETTLEMENT SHOULD BE REACHED." HOWEVER, THE OBSERVATION IS ALREADY AFLOAT THAT IN THE END IT WILL TAKE A FORM CLOSE TO A "GOVERNMENT-TO-GOVERNMENT AGREEMENT COVERING A TRANSITIONAL PERIOD" AS REQUESTED BY THE U.S.

AMBASSADOR MONDALE TO NEGOTIATE SEMICONDUCTORS
(NIHON KEIZAI - PAGE 2)

REFERRING TO THE ISSUE OF RENEWING THE JAPAN-UNITED STATES SEMICONDUCTOR AGREEMENT, A GOVERNMENT SOURCE YESTERDAY EVENING REVEALED THAT THE TALKS WILL BE FACILITATED WITH U.S. AMBASSADOR TO JAPAN AS THE CHANNEL, NOTING, "(IN THE JAPAN-U.S. SUMMIT MEETING HELD ON JUNE 27,) PRESIDENT CLINTON (AT FIRST) TOLD PRIME MINISTER RYUTARO HASHIMOTO THAT HE HIMSELF WOULD ACTUALLY ENGAGE IN THE NEGOTIATIONS. HOWEVER, IT WAS DECIDED THAT AMBASSADOR MONDALE WOULD ACT AS HIS PROXY IN VIEW OF THE PRESIDENTIAL ELECTION APPROACHING. IT IS THE SAME ARRANGEMENT AS THAT ADOPTED FOR THE RETURN OF (FUTENMA AIR STATION)."

RUPTURED CIVAIR TALKS: TRANSPORT MINISTRY TO DELAY APPROVAL FOR NEW U.S. ROUTES (NIHON KEIZAI - PAGE 5)

FOLLOWING THE FAILURE OF JAPAN-UNITED STATES CIVIL-AVIATION TALKS ON THE PASSENGER SECTOR, THE MINISTRY OF TRANSPORT (MOT) HAS PUT OFF APPROVAL OF THE U.S. NORTHWEST AIRLINES' (NWA) APPLICATION FOR OPENING ON THE 2ND A NEW ROUTE BETWEEN OSAKA AND JAKARTA. THERE HAVE BEEN MANY CASES OF "RESERVING APPROVAL" LIKE THIS CASE, BUT THIS ONE IS SEEN AS A KIND OF SANCTION. JAPANESE AND U.S. OFFICIALS WILL MAP OUT MEASURES WITH THE AIM OF PREVENTING THE ISSUE FROM ESCALATING INTO A BATTLE OF SANCTIONS, BUT THE GAP IN BOTH SIDES' ASSERTIONS HAS NOW BEEN BROUGHT OUT INTO THE OPEN.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 2

THERE IS NO REPRESENTATIVE FROM THE AIRLINES INCLUDED
AMONG U.S. NEGOTIATORS. A JAPANESE NEGOTIATOR EXPRESSED
HIS SURPRISE AT THAT IN TALKS HELD AT THE U.S. DEPARTMENT
OF STATE ON THE 27TH. FROM THE JAPANESE SIDE,
REPRESENTATIVES FROM JAPAN AIRLINES, ALL NIPPON AIRWAYS
AND OTHER CARRIERS PARTICIPATED IN THE TALKS, BUT ONLY
THOSE FROM THE GOVERNMENT ATTENDED ON THE U.S. SIDE.

A PERSONNEL OF A MAJOR U.S. CARRIER DISCLOSED: "A U.S.
GOVERNMENT OFFICIAL WITH AUTHORITY ON AVIATION AFFAIRS
EXPLAINED TO US THAT DISCUSSION WILL BE FOCUSED ON ONLY
PENDING ISSUES SUCH AS APPROVAL OF OPENING NEW ROUTE AND
NOT ON ENLARGEMENT OF COMMERCIAL AIRLINE INTERESTS AT THE
TALKS AND TOLD US NOT TO ATTEND." JAPANESE NEGOTIATORS
HAD MAPPED OUT A PROPOSAL FEATURING "A SYSTEM FOR FREE
OPERATION RIGHTS GRANTED WITH TWO AIRLINES OF JAPAN AND
THE U.S. EACH," IN HOPES OF RECTIFYING THE CURRENT
IMBALANCE. IN CONTRAST, THE U.S. TRIED TO SHUT THE DOOR
TO NEGOTIATIONS ON NEW FLIGHT INTERESTS.

THE U.S. HAS PERSISTED WITH THE ASSERTION "JAPAN SHOULD
RESPECT AIRLINES' VESTED RIGHTS AND MAKE CONCESSIONS
FIRST," INCLUDING UNITED AIRLINES' (UA) APPLICATION FOR
INITIATING NEW ROUTES TO ASIA.

JAL HAS JUDGED IT DIFFICULT TO GET APPROVAL FROM THE U.S.
FOR OPENING A HIROSHIMA-HONOLULU ROUTE, AND APPLIED FOR
IT TO BE LICENSED FOR CHARTERED FLIGHTS. REPORTEDLY, UA,
WHOSE LICENSE FOR OPERATING INCREASED FLIGHTS ON THE
ROUTE BETWEEN TOKYO AND LOS ANGELES IS DUE TO EXPIRE
SOON, ALSO INTENDS TO SHIFT THAT PORTION TO SPECIAL
FLIGHTS. ALTHOUGH JAPANESE AND U.S. AIRLINES CONTINUE
EFFORTS TO WARD OFF ANY IMPACT ON THEIR CUSTOMERS,
OFFICIALS IN CHARGE OF NEGOTIATIONS CONTINUE TO GLARE AT
EACH OTHER.

SHINSHINTO STARTS COMPILING NEW CAMPAIGN PLATFORM
(YOMIURI - PAGE 2)

THE SHINSHINTO (NEW FRONTIER PARTY) IS PLANNING TO HOLD A POLICY STUDY SESSION OF DIETMEMBERS IN A TOKYO HOTEL ON JULY 4 TO GEAR ITSELF UP ON THE POLICY SIDE FOR A DISSOLUTION OF THE LOWER HOUSE THAT WILL BE FOLLOWED BY A GENERAL ELECTION. IN THE SESSION, EFFORTS WILL BE MADE TO COMPILE A BASIC POLICY THAT WILL BE THE FOUNDATION FOR A CAMPAIGN PLEDGE WHOSE KEYWORD IS "REFORM." MINISTERS UNDER THE PARTY'S "TOMORROW CABINET" WHO ARE EACH TASKED WITH SOCIAL WELFARE AND THE TAX SYSTEM WILL SHOW A TENTATIVE POLICY PROPOSAL TO SHINSHINTO DIETMEMBERS OF BOTH HOUSES AND AUTHORIZED NEW-FACE CANDIDATES-TO-BE FOR THE NEXT LOWER-HOUSE ELECTION TO LISTEN TO THEIR VIEWS. IN A MEETING OF THE FOUR PARTY EXECUTIVES HELD ON JULY 1, A CONSENSUS WAS REACHED TO AIM AT UNIFYING OPINIONS AS EARLY AS IN AUGUST, IF POSSIBLE. BUT A VARIETY OF VIEWS ARE FLOATING IN THE PARTY WHEN IT COMES TO SPECIFIC SUBJECTS. SO MANY THINK THAT WHAT WILL BE DONE IN THE PLANNED POLICY STUDY MEETING WILL BE TO MAKE A START AT BEST IN FORGING AN AGREEMENT IN THE PARTY " (SENIOR MEMBER OF THE POLICY DELIBERATION COUNCIL).

IN THE POLICY STUDY SESSION, PARTY PRESIDENT OZAWA WILL DELIVER A SPEECH. BESIDES HIM, SENIOR PARTY MEMBERS, SUCH AS FORMER PRIME MINISTERS KAIFU, HOSOKAWA AND HATA, AND FORMER KOMEITO CHAIRMAN KOSHIRO ISHIDA WILL EXPRESS THEIR VIEWS.

"REFORM," THE KEYWORD IN THE CAMPAIGN PLEDGE, IS BASED ON "CONSTANT REFORM" AS IS SEEN IN THE DECLARATION FOR THE FOUNDING OF THE PARTY. IT WAS REAFFIRMED IN THE EARLIER THREE-PARTY MEETING OF OF OZAWA, HATA, AND HOSOKAWA TO MAKE THAT WORD THE BASIC SPIRIT OF THE PARTY ELECTION PLEDGE FOR THE NEXT GENERAL ELECTION. HOWEVER, OPINIONS IN THE PARTY HAVE NOT YET BEEN UNIFIED TO SUCH A LEVEL THAT A TENTATIVE PROPOSAL CAN BE SHOWN REGARDING THE USE OF THE RIGHT TO COLLECTIVE SELF-DEFENSE, A HOT ISSUE, AND
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UNCLAS SECTION 07 OF 07 TOKYO 006052

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR
EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA.
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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 2

THE PROBLEM OF RAISING THE CONSUMPTION TAX. EVEN SUCH A VOICE IS HEARD THAT "IF WE ARE SERIOUS IN CARRYING OUT REFORM, 30 TO 40 MEMBERS MAY LEAVE THE PARTY" (PRESIDENT OZAWA). FOR NOW, ANY DRASTIC POLICY SUITABLE FOR THE SLOGAN OF "REFORM" HAS HARDLY EMERGED.

IT IS THEREFORE VERY LIKELY THAT AFTER FULL-FLEDGED DEBATES BY OFFICERS IN CHARGE OF POLICY IN THE SUMMER, OPINIONS WILL BE UNIFIED IN SEPTEMBER AND THEN A PLEDGE WILL BE FORMULATED SOMEHOW. BUT BECAUSE THE PARTY IS IN SUCH A SEVERE SITUATION AS "IF A CLEAR-CUT DIRECTION IS WORKED OUT, THE FISSURE IN THE PARTY WILL FURTHER WIDEN" (SENIOR MEMBER), SOME ARE DUBIOUS ABOUT TO WHAT EXTENT POLICY WILL TAKE SHAPE. BLACKBURN

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LINE2: ZNR UUUUU ZZH
LINE3: O 050551Z JUL 96
LINE4: FM AMEMBASSY TOKYO
OSRI: RUEHKO
DTG: 050551Z JUL 96
ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 4506
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INFO: RUEKJCS/SECDEF WASHDC
RHEHAAA/WHITE HOUSE WASHDC
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RUEBEEA/USDOT WASHDC
RUCPDOG/USDOC WASHDC
RUEAIIA/CIA WASHDC
RUALSEFJ/COMUSJAPAN YOKOTA AB JA
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/COMPATWING ONE KAMI SEYA JA
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JULY 5

TEXT:

//////////////////// INCOMPLETE MESSAGE //////////////////////

UNCLAS SECTION 01 OF 07 TOKYO 006171

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FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR
EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA
WASHDC; SECDEF FOR JCS/J-5/JAPAN, OASD/ISA/EAPR/JAPAN;
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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 5

TOP HEADLINES:

ASAHI: TAXPAYERS' BURDEN LIKELY TO EXCEED 24 TRILLION
YEN, ACCORDING TO SIMULATION OF FORMER JAPAN NATIONAL
RAILWAYS' DEBT THREE YEARS HENCE; PAYMENT OF INTEREST AS
HEAVY BURDEN EVEN AFTER MOST OF LAND ASSETS AND JR STOCKS
SOLD (TRANSLATION BELOW)

NIHON KEIZAI: ROK-MADE STEEL EXPECTED TO BE SUPPLIED TO JAPANESE-AFFILIATED FIRM; DAEWOO TO FINANCE A JOINT VENTURE WITH MARUBENI; VARIATION OF SUPPLY METHODS AT LOW PRICES IN ASIA

TOKYO SHIMBUN: TAKASHIMAYA SCANDAL: DEFENSE COUNSEL FORMED FOR LAWSUIT BY STOCKHOLDERS; SEEKING 400-MILLION-YEN COMPENSATION

MAINICHI: 35 CORPORATIONS ILLEGALLY EARN 62.8 MILLION Y'H*JEzU%QA=%9QM=UQ9=5959Q=MQ=955)IMI!9QIUMQeM%99Q!9=1e9eQ=55)MA%1=IAU1%=IA= BODIES WHICH WERE ENTRUSTED

YOMIURI: TOKYO METROPOLITAN GOVERNMENT TO TRIM ITS EXPENDITURES BY 300 - 500 BILLION YEN; 30-PERCENT CUT IN SPECULATIVE COSTS; 7-PERCENT REDUCTION AS A WHOLE UNDER NEXT FISCAL YEAR'S BUDGET CEILINGS

FIVE CANDIDATES ON MAINLAND FOR TRANSFER OF LIVE-SHELL PRACTICE FROM NEAT OKINAWA HIGHWAY
(SANKEI - PAGE 1, JULY 4 EDITION)

THE JAPANESE AND U.S. GOVERNMENTS DECIDED ON JULY 3 TO TRANSFER THE U.S. MILITARY'S LIVE-FIRE ARTILLERY TRAINING, CURRENTLY CONDUCTED AT CAMP HANSEN ACROSS THE PREFECTURAL ROAD 104, TO THE SELF-DEFENSE FORCES' MANEUVER AREAS IN FIVE PLACES IN THE COUNTRY, INCLUDING YAUSUBETSU IN HOKKAIDO, AND HAVE NOW BEGUN TO STUDY AN OUTLINE OF SUCH TRAINING TO BE CARRIED OUT AND OTHER MATTERS REQUIRED FOR COORDINATION WITH LOCAL GOVERNMENTS. AS FOR THE ISSUE OF TRANSFERRING THE LIVE-FIRE ARTILLERY TRAINING, OKINAWA PREFECTURE HAS BEEN STRONGLY CALLING FOR IT AS ONE OF THE SO-CALLED "THREE ISSUES IN OKINAWA" -- AS WELL AS THE RELOCATION OF THE NAHA PORT FACILITY. SINCE OCTOBER LAST YEAR, THE JAPANESE AND U.S. GOVERNMENTS HAVE CONTINUED WORKING-LEVEL SURVEYS AND STUDIES ON DOMESTIC MANEUVER AREAS FOR THE TRAINING.

IN ADDITION TO YAUSUBETSU, THE PLACES NOW BEING CONSIDERED FOR THE TRAINING ARE SDF MANEUVER AREAS AT OJOJIHARA (IN MIYAGI PREFECTURE), KITA-FUJI (IN YAMANASHI PREFECTURE), HIGASHI-FUJI (IN SHIZUOKA PREFECTURE), AND HIJIUDAI (IN OITA PREFECTURE), WHICH ARE ALL THE SDF'S LARGE-SCALE MANEUVER AREAS. AT HIGASHI-FUJI, THE U.S. MILITARY IS ALREADY BEEN CARRYING OUT ARTILLERY TRAINING FOR ROUGHLY THIRTY OR SO DAYS A YEAR.

AT THE STAGE OF SURVEYS, A TOTAL OF NINE MANEUVER AREAS WERE ON THE LIST, INCLUDING FOUR MEDIUM-SCALE MANEUVER AREAS. HOWEVER, THE JAPANESE AND U.S. SIDES HAVE NOW DECIDED TO TRANSFER THE ARTILLERY TRAINING TO THOSE LARGE-SCALE MANEUVER AREAS IN CONSIDERATION OF THE NEED TO SECURE THE RANGE OF 155-MM HOWITZERS (ABOUT 5 KILOMETERS) FOR THE U.S. MILITARY'S ARTILLERY TRAINING AND ALSO IN CONSIDERATION OF EACH MANEUVER AREA'S FUNCTIONS AND THE GROUND SELF-DEFENSE FORCE'S TRAINING.

MEANWHILE, HOWEVER, THE U.S. MILITARY CURRENTLY CARRIES

OUT LIVE-FIRE ARTILLERY TRAINING FOR AN ANNUAL TOTAL OF ABOUT 30 DAYS. ACCORDINGLY, THE JAPANESE AND U.S. SIDES ARE GOING TO CONDUCT WORKING-LEVEL COORDINATION ON DETAILS, SUCH AS HOW TO DISTRIBUTE THE NUMBER OF TRAINING DAYS TO EACH OF THOSE MANEUVER AREAS, AND WILL WORK OUT AN OUTLINE OF TRAINING IN CONCRETE TERMS BY THE MIDDLE OF UNCLAS SECTION 02 OF 07 TOKYO 006171

USIA

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 5

THIS MONTH.

FURTHERMORE, SUCH TRANSFER WILL REQUIRE LOCAL GOVERNMENTS' COOPERATION. THEREFORE, THE GOVERNMENT IS GOING TO CONCLUDE ITS COORDINATION WITHIN THE RULING COALITION THIS MONTH, AND WILL INFORMALLY DECIDE ON AN OUTLINE OF TRAINING IMPLEMENTATION AND OTHER MATTERS IN ADDITION TO A FINAL LISTING OF PLACES FOR THE TRAINING. IN AUGUST, THE GOVERNMENT WILL PRESENT THOSE DETAILS TO THE LOCAL GOVERNMENTS TO ENTER INTO COORDINATION WITH THEM.

IN APRIL THIS YEAR, THE "JAPAN-U.S. SPECIAL ACTION COMMITTEE (ON FACILITIES AND AREAS IN OKINAWA)" (SACO) RELEASED AN INTERIM REPORT REGARDING THE PROBLEM OF U.S. MILITARY BASES ON OKINAWA. SACO, IN THAT REPORT, CLEARLY MENTIONED A COURSE OF ACTION TOWARD DISCONTINUING THE TRAINING AT CAMP HANSEN.

GOVERNMENT PLANS TO FLOAT USE OF KADENA AIR BASE FOR OTHER FUTENMA FACILITIES
(NIHON KEIZAI - PAGE 1, EVENING EDITION OF JULY 4)

ON THE PROBLEM OF CONSTRUCTING A REPLACEMENT FACILITY IN CONNECTION WITH THE RELEASE OF THE U.S. FORCES' FUTENMA AIR STATION IN OKINAWA, THE GOVERNMENT HAS FIRMED UP ITS INTENTION TO ADD THE U.S. FORCES' KADENA AIR FORCE BASE (LOCATED AT KADENA TOWN) TO ITS LISTING OF CANDIDATE SITES. ALONG THIS POLICY LINE, THE GOVERNMENT IS NOW IN COORDINATION WITH THE U.S. GOVERNMENT AND OKINAWA PREFECTURE. MEANWHILE, THE KADENA AMMUNITION STORAGE AREA (STRETCHING OVER KADENA TOWN AND OTHER LOCAL MUNICIPALITIES) USED TO BE REGARDED AS A LIKELY CANDIDATE SITE, BUT THE GOVERNMENT TOOK INTO CONSIDERATION THE FACT THAT THE LOCAL MUNICIPALITIES WERE SHOWING A STRONG NEGATIVE REACTION AGAINST THAT PLAN. ACCORDINGLY, THE FUTURE FOCUS WILL BE ON THE RESPONSES OF THE U.S. FORCES

IN JAPAN AND OKINAWA PREFECTURE'S GOVERNOR MASAHIDE OTA.

THE JAPANESE AND U.S. GOVERNMENTS IN APRIL THIS YEAR RELEASED AN INTERIM REPORT OF THEIR INTERGOVERNMENTAL SPECIAL ACTION COMMITTEE (SACO), IN WHICH THE TWO GOVERNMENTS AGREED ON THE TOTAL REVERSION OF FUTENMA AIR STATION (IN GINOWAN CITY), WHICH IS USED MAINLY AS A HELIPORT BY THE U.S. MARINE CORPS, AND ALSO CONFIRMED A PLAN TO CONSTRUCT AN ALTERNATIVE HELIPORT ON AN EXISTING U.S. MILITARY BASE IN OKINAWA PREFECTURE FROM THE VIEWPOINT OF MAINTAINING THE U.S. FORCES' QUICK RESPONSE READINESS.

AS A CANDIDATE SITE FOR CONSTRUCTING AN ALTERNATIVE FACILITY, THE KADENA AMMUNITION DEPOT AREA USED TO BE REGARDED AS LIKELY. HOWEVER, THE PLAN IS TO CONSTRUCT A 1,500-METER RUNWAY IN HILL AREAS ALSO FOR FIXED-WING AIRCRAFT, SO IT WILL BE NECESSARY TO CUT DOWN FOREST TREES ON AN EXTENSIVE SCALE AND CHANGE THE GEOGRAPHICAL FEATURES OF THE AREA. THEREFORE, THE LOCAL MUNICIPALITY OF KADENA TOWN RAISED AN OBJECTION, AND THE PREFECTURAL GOVERNMENT ALSO FROWNED ON IT.

KADENA AFB, NOW BEING ON THE LIST OF CANDIDATE SITES, IS A FACILITY USED BY THE U.S. AIR FORCE, AND DEPLOYS A UNIT OF F-15 FIGHTERS AND OTHER PLANES THAT BELONG TO THE 18TH AIR WING. IF THE USMC ACTUALLY MAKES JOINT USE OF KADENA AFB'S RUNWAY, THERE WILL BE AN ADVANTAGE MAKING IT POSSIBLE TO HOLD DOWN THE AREA OF A NEW FACILITY TO BE CONSTRUCTED TO A SMALLER SCALE THAN IN THE CASE OF CONSTRUCTING IT WITHIN THE KADENA AMMUNITION DEPOT AREA.

ACCORDING TO A GOVERNMENT SOURCE, HOWEVER, THE USFJ SIDE IS CLAIMING THAT "THE AIR FORCE WILL BE TROUBLED IN THE OPERATION OF AIRCRAFT" IN CASE AN ALTERNATIVE FACILITY IS CONSTRUCTED ON KADENA AFB, SO THE U.S. DEPARTMENT OF DEFENSE WILL BE REQUIRED TO MAKE A DECISION FOR THAT
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USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA,
RMR; STATE FOR
EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA
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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 5

CASE. FOR THIS REASON, THE GOVERNMENT INTENDS TO PROMOTE COORDINATION WITH THE U.S. MILITARY AND OKINAWA PREFECTURE ON ITS LISTING OF CANDIDATES, INCLUDING THE KADENA AMMUNITION DEPOT AREA AND CAMP HANSEN.

U.S. UNHAPPY WITH KADENA AS SUBSTITUTE HELIPORT
(ASAHI - PAGE 1)

IT WAS REVEALED ON THE 4TH THAT JAPAN IN THE JUNE 28 JAPAN-U.S. DEFENSE VICE MINISTERIAL HAD SUGGESTED KADENA AIR FIELD AS AN ALTERNATIVE HELIPORT SITE, A PRECONDITION FOR REVERSION OF THE U.S. FUTENMA AIR STATION. JAPAN HAS BEEN LOOKING INTO SUCH AREAS AS THE KADENA AMMUNITION DEPOT ZONE. BUT OKINAWA'S OPPOSITION HAS BEEN STRONG, REGARDING THAT IT IS "ONE OF THE MOST LIKELY SITES THAT CAN WIN OKINAWA'S UNDERSTANDING" (SENIOR DEFENSE AGENCY OFFICIAL). THE U.S. SIDE, HOWEVER, IS NEGATIVE ABOUT JAPAN'S SUGGESTION, AND NO SPECIFICS HAVE BEEN DISCUSSED.

GOVERNMENT SANDWICHED BETWEEN OKINAWANS AND U.S. ON FUTENMA FACILITY TRANSFER (ASAHI - PAGE 2)

THE GOVERNMENT HAS SUGGESTED CONSTRUCTING A HELIPORT AT KADENA AIR BASE TO MEET THE CONDITION FOR THE PLANNED REVERSION OF THE U.S. FUTENMA AIR STATION. SUCH CLEARLY INDICATES THE GOVERNMENT'S INTENTION TO WIN OKINAWA'S UNDERSTANDING TO FIND A BREAKTHROUGH IN THE OVERALL BASE PROBLEM, INCLUDING LAND EXPROPRIATION. BUT OKINAWA'S WILL IS NOT CLEAR AT THIS POINT, AND THE U.S. IS ALSO NEGATIVE ABOUT JAPAN'S SUGGESTION PRESUMABLY BECAUSE OF SOME DIFFICULTIES IN TERMS OF OPERATING THE BASE. SOME MORE TIME IS REQUIRED TO SETTLE THE HELIPORT PROBLEM.

"IF YOU ARE TALKING ABOUT KADENA AIR BASE, I HAVE NOT HEARD ANYTHING ABOUT (THE GOVERNMENT'S PLAN) TO APPROVE IT," REPLIED JAPAN DEFENSE AGENCY (JDA) ADMINISTRATIVE VICE MINISTER NAOAKI MURATA IN THE PRESS MEETING YESTERDAY REGARDING OKINAWA'S WILL, INCLUDING THAT OF GOVERNOR MASAHIRO OTA.

BUT ACCORDING TO ONE SENIOR JDA OFFICIAL, THE GOVERNMENT HAS REACHED A CONCLUSION FROM THE INFORMATION OBTAINED FROM THE SOCIAL DEMOCRATIC PARTY (SDP) AND OTHER RULING PARTIES THAT "KADENA AIR BASE MAY BE ABLE TO WIN OKINAWA'S UNDERSTANDING." AS A RESULT, THE GOVERNMENT IN THE JUNE 28 JAPAN-U.S. DEFENSE VICE-MINISTERIAL SUGGESTED TO U.S. SIDE "OKINAWA'S POSSIBLE REACTION TO (KADENA AIR FIELD)" (JDA OFFICIAL).

THROUGH THE JAPAN-U.S. SPECIAL ACTION COMMITTEE (SACO) SESSIONS THAT STARTED LAST NOVEMBER, BOTH THE FOREIGN MINISTRY AND JDA ARE AWARE THAT THE U.S. IS NEGATIVE ABOUT THE PLAN TO COMBINE SOME FUNCTIONS OF FUTENMA AIR STATION, THE MARINE'S CORE BASE, AND KADENA AIR BASE, THE LARGEST AIR BASE IN THE FAR EAST.

THE U.S. FIRST OPTION IS THE KADENA AMMUNITION DEPOT ZONE, PLUS TWO OTHER SITES IN THE CENTRAL TRAINING AREA. BUT THE OKINAWANS ARE STRONGLY AGAINST ALL OF THEM. IT APPEARS THAT THE GOVERNMENT HAS COME UP WITH KADENA AIR BASE AS A LAST RESORT, CONCLUDING, "IMPLEMENTING THE PLAN

WOULD BE DIFFICULT IF WE CANNOT OBTAIN OKINAWA'S UNDERSTANDING."

BUT REPORTEDLY, IN THE VICE MINISTERIAL DEFENSE UNDER SECRETARY SLOCOMBE AND OTHERS OPPOSED JAPAN'S SUGGESTING, REASONING, "MAINTAINING FUTENMA'S FUNCTIONS IS VITAL," AND "HAVING THE AIR FORCE AND THE MARINES AT THE SAME BASE IS DANGEROUS OPERATIONALLY."

THE PROGRESS OF THE BILATERAL FUTENMA TALKS IS RELATED DEEPLY TO THE LAND EXPROPRIATION ISSUE. CAUGHT IN UNCLAS SECTION 04 OF 07 TOKYO 006171

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BETWEEN THE U.S. REQUEST AND OKINAWA'S WILL, THE JAPANESE GOVERNMENT'S AGONY IS LIKELY TO CONTINUE FOR SOME TIME.

GOVERNMENT PLANS NOW TO WORK ON RUSSIA FOR PROGRESS IN RESOLVING TERRITORIAL ISSUE (NIHON KEIZAI - PAGE 2)

IN RESPONSE TO RUSSIAN PRESIDENT YELTSIN'S REELECTION, THE GOVERNMENT INTENDS TO MAKE APPROACHES TO THE RUSSIAN SIDE TO RESOLVE THE NORTHERN-TERRITORIES PROBLEM AS WELL AS TO IMPROVE THE BILATERAL RELATIONSHIP IN LINE WITH THE AGREEMENT REACHED IN THE APRIL JAPAN-RUSSIA TOP LEADERS' TALKS. REGARDING A FUTURE COURSE OF THE TERRITORIAL ISSUE AND OTHER PROBLEMS, THE GOVERNMENT WILL PROBE THE RUSSIAN SIDE THROUGH THE JAPAN-RUSSIA FOREIGN MINISTERIAL DUE TO TAKE PLACE IN JAKARTA LATE THIS MONTH. HOWEVER, IT IS CERTAIN PRESIDENT YELTSIN, WITH THE ELECTION AS A TURNINGPOINT, WILL "FURTHER LEAN TOWARD NATIONALISM AND SUPERPOWER-ISM (SENIOR OFFICIAL OF THE FOREIGN MINISTRY (MOFA)). SO MANY TAKE THE VIEW THAT PROGRESS ON THE TERRITORIAL ISSUE WILL BE UNLIKELY.

OVER THE NORTHERN TERRITORIES ISSUE, PRESIDENT YELTSIN HAS PREVIOUSLY SOUNDED OUT JAPAN THROUGH HIS AIDES ABOUT ADOPTING A "JAPAN-RUSSIA JOINT DEVELOPMENT FORMULA" (LIBERAL DEMOCRATIC PARTY (LDP) SOURCE). THE IDEA IS THAT AFTER DESIGNATING THE NORTHERN TERRITORIES AS A KIND OF A "SPECIAL ECONOMIC ZONE," (RUSSIA) WILL ACCEPT INVESTMENT FROM JAPAN'S PRIVATE SECTOR, BUT MOFA IS NEGATIVE ABOUT IT, REASONING, "IT LACKS SPECIFICS AND ALSO PUTS THE SOVEREIGNTY PROBLEM ON THE SHELF, SO WE CANNOT AGREE TO IT AS LONG AS IT TAKES THE CURRENT FORM" (SENIOR MOFA OFFICIAL).

THE GOVERNMENT HAS A STRONG WILL TO SETTLE THE TERRITORIAL ISSUE, LOOKING ON THIS YEAR AS "MARKING THE 40TH ANNIVERSARY OF DIPLOMATIC RESTORATION THROUGH THE JAPAN-SOVIET UNION JOINT DECLARATION." BUT BECAUSE THE NEW RUSSIAN GOVERNMENT EMBRACES "SERIOUS FACTORS" (MOFA SOURCE), SUCH AS MOVES OF SECURITY COUNCIL SECRETARY LEBED, WHO HAS REITERATED A HARD-LINE STATEMENT IN CONNECTION WITH THE TERRITORIAL ISSUE, A CAUTIOUS VIEW IS STRONG-ROOTED (IN THE GOVERNMENT) THAT "WE SHOULD NOT BE IN A HURRRY FOR SETTLEMENT."

THE GOVERNMENT'S STANCE FOR THE TIME BEING IS TO ASK RUSSIA TO RESUME AT AN EARLY DATE THE VICE-MINISTER-LEVEL WORKING GROUP AIMED AT CONCLUDING A PEACE TREATY WHILE "KEEPING AN EYE ON A LINEUP AND DOMESTIC AND FOREIGN POLICIES OF THE NEW CABINET" (FOREIGN PRESS OFFICER HASHIMOTO).

POSSIBILITY OF HARD-LINE MEASURES AGAINST JAPAN; ARGUMENT FOR SHELIVING THE TERRITORY PROBLEM EMERGING IN RUSSIA

(MOSCOW, JULY 4, NOBUYUKI TANAKA) RUSSIAN PRESIDENT YELTSIN, WHO HAS JUST BEEN RELECTED, MAY POSSIBLY WORK OUT A HARD-LINE STANCE TOWARD JAPAN. PARTICULARLY REGARDING THE NORTHERN TERRITORIES PROBLEM, THE PRESIDENT HIMSELF HAS INDICATED HIS STANCE TO "REJECT ANY REQUESTS RELATED TO THE TERRITORIES." IN ADDITION, THE PRESIDENT SEEMS DIFFICULT TO TAKE A FLEXIBLE POLICY PARTLY BECAUSE OF HIS CONSIDERATION FOR SECURITY COUNCIL SECRETARY LEBED WHOM HE WON OVER HIS SIDE IN DEALING WITH THE RUNOFF. NOW THAT FIRST DEPUTY PREMIER SOSKOVETS, WHO SERVED AS A COORDINATOR FOR NEGOTIATIONS WITH JAPAN, WAS REMOVED FROM THE POSITION THIS JUNE, WHO WILL SUCCEED HIM WILL BE A TOUCHSTONE TO PREDICT WHAT KIND OF POLICY RUSSIA WILL ADOPT TOWARD JAPAN.

OVER THE TERRITORIAL DISPUTE, THE PRESIDENT HAS HARDENED HIS STANCE AS WAS SEEN IN HIS REMARKS AS THE PRESIDENTIAL ELECTION WAS APPROACHING. FROM AMONG HIS AIDES, AN OPINION FOR "SHELIVING THE DISPUTE TO THE NEXT GENERATION" (FOREIGN MINISTER PRIMAKOV) HAS EMERGED. SECRETARY UNCLAS SECTION 05 OF 07 TOKYO 006171

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LEBED, A KEY PERSON FOR THE NEW GOVERNMENT, ALSO CALLS

FOR LEVERING UP THE KURIL ISLANDS AND SAKHALIN. HIS STANCE IS (THAT THE NORTHERN ISLANDS) WILL ALWAYS BE RUSSIAN TERRITORY.

GOVERNMENT FEARS CONGRESSQ ANTI-KEDO STANCE MAY SHIFT.
CRUDE OIL BILL TO JAPAN (SANKEI - PAGE 2, JULY 4 EDITION)

THE UNITED STATES CONGRESS HAS DECIDED TO CUT EXPENDITURES FOR SUPPLYING HEAVY OIL PROMISED TO NORTH KOREA (DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA) IN RETURN FOR THE NORTH'S ACCEPTANCE OF THE USE OF LIGHT-WATER REACTORS. SIMILAR TO THIS SPRING, THE JAPANESE GOVERNMENT HAS A HEIGHTENED SENSE OF ALARM THAT DEPENDING ON DEVELOPMENTS IN THE CONGRESS, THE U.S. GOVERNMENT MAY ASK JAPAN TO SHOULDER THE SHORTFALL.

FOLLOWING THE U.S. HOUSE APPROPRIATION COMMITTEE LAST WEEK ADOPTED A RESOLUTION OF SLASHING THE U.S. SHARE FROM 25 MILLION DOLLARS TO 13 MILLION DOLLARS, THE SENATE APPROPRIATION COMMITTEE ALSO DECIDED TO CUT THE SHARE. IF THE SENATE FULL SESSION DOES NOT APPROVE THE AUGMENTED AMOUNT, PRESIDENT CLINTON REPORTEDLY WILL USE HIS VETO POWER.

REGARDING SUCH NEGATIVE REACTIONS BY THE U.S. CONGRESS AGAINST THE SHOULDERING OF HEAVY OIL COSTS, A FOREIGN MINISTRY SOURCE POINTED OUT: "THERE IS CRITICISM IN THE U.S. CONGRESS THAT THE CLINTON ADMINISTRATION HAS BEEN 'OVERINDULGENT TO NORTH KOREA.'" IN THE BACKGROUND IS THE CONDITION: "THE NORTH KOREAN PROBLEM HAS BEEN REFLOATED AS AN ISSUE FOR DEBATE IN THE PRESIDENTIAL ELECTION THAT WILL TAKE PLACE IN THE FALL. THE ISSUE HAS NOW BECOME THE TARGET OF THE REPUBLICAN SIDE, WHICH IS TRYING TO WEAKEN THE PRESIDENT, WHO HAS PLAYED UP THE STABILIZATION OF THE KOREAN PENINSULA AS A DIPLOMATIC ACHIEVEMENT" (SAME SOURCE).

UNDER THE U.S.-NORTH KOREA ACCORD IN 1994, THE U.S. PLEDGED TO EXTEND 50 MILLION DOLLARS FOR THE COSTS OF 500,000 TONS OF HEAVY OIL TO BE SUPPLIED A YEAR TO NORTH KOREA AS ALTERNATIVE ENERGY SOURCE UNTIL THE FIRST LIGHT-WATER REACTOR IS CONSTRUCTED.

HOWEVER, THIS FEBRUARY, THE U.S. GOVERNMENT ASKED JAPAN TO SHOULDER THE HEAVY OIL COSTS FOR THE REASON OF THE DELAY OF ITS BUDGET IMPLEMENTATION. THE JAPANESE GOVERNMENT THEN MADE A JUDGMENT THAT "IF SUPPLYING HEAVY OIL IS DELAY, THAT MIGHT GIVE AN EXCUSE TO NORTH KOREA TO REVERSE THE U.S.-NORTH KOREA AGREEMENT," (FOREIGN MINISTRY SOURCE). IT THEN DECIDED TO APPROPRIATE 19 MILLION DOLLARS AS EMERGENCY ASSISTANCE BY PROVIDING FUNDS TO THE KOREAN ENERGY DEVELOPMENT ORGANIZATION (KEDO).

OVER THE COST OF SUPPLYING HEAVY OIL TO NORTH KOREA, AS THE SHORTAGE OF 50 MILLION DOLLARS NEEDED IN EACH YEAR HAS BEEN POINTED OUT IMMEDIATELY THE ACCORD WAS CONCLUDED, "JAPAN MIGHT BE ASKED TO PROVIDE THE SHORTAGE

IN AN EASY-GOING WAY" (LIBERAL DEMOCRATIC PARTY (LDP)
DIETMEMBER).

EVEN IF THE U.S. GOVERNMENT CANNOT GET AN APPROVAL FROM
THE CONGRESS TO OFFER 25 MILLION DOLLARS AS INITIALLY
DECIDED, "WHETHER THE EUROPEAN UNION CAN SHOULDER SUCH
COSTS IS NUCLEAR" (GOVERNMENT SOURCE). SO IT IS SAID
THAT "THERE IS A POSSIBILITY THAT JAPAN MIGHT BE
REQUESTED TO OFFER MORE THAN 10 MILLION DOLLARS" (FOREIGN
MINISTRY SOURCE).

SPARKS FLY IN FINANCE MINISTRY OVER SUPPLEMENTARY-BUDGET
ISSUE (ASAHI - PAGE 11)

ASKED ABOUT THE POSSIBILITY OF COMPILING A SUPPLEMENTARY

SECT: SECTION: 01 OF 07

<^SECT>SECTION: 02 OF 07

<^SECT>SECTION: 03 OF 07

<^SECT>SECTION: 04 OF 07

<^SECT>SECTION: 05 OF 07

SSN: 6171

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<^TOR>960705050221 M2300774

<^TOR>960705050307 M2300775

DIST:

SIT: KRISTOFF PRITCHARD SUETTINGER

SIT: NSC

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. cable	Re: Coalition Parties (5 pages)	07/05/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
NSC Cables
Jan 1995-Dec 1996 ([Futenma])
OA/Box Number: 510000

FOLDER TITLE:

[06/28/1996 - 07/12/1996]

2016-0420-F
sb1874

RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. cable	Re: June 28-29 Visit to Tokyo (15 pages)	07/09/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
NSC Cables
Jan 1995-Dec 1996 ([Futenma])
OA/Box Number: 510000

FOLDER TITLE:

[06/28/1996 - 07/12/1996]

2016-0420-F
sb1874

RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. cable	Re: Scenesetter for NSC Adviser Lake's Visit (6 pages)	07/10/1996	P1/b(1)

COLLECTION:

Clinton Presidential Records
NSC Cables
Jan 1995-Dec 1996 ([Futenma])
OA/Box Number: 510000

FOLDER TITLE:

[06/28/1996 - 07/12/1996]

2016-0420-F
sb1874

RESTRICTION CODES

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

Freedom of Information Act - [5 U.S.C. 552(b)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
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b(1) National security classified information [(b)(1) of the FOIA]
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Cable

PREC: ROUTINE
CLASS: UNCLASSIFIED
LINE1: RAAUZYUW RUWFSGG3830 1921001-UUUU--RHEHAAX.
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OSRI: RUWFSGG
DTG: 101001Z JUL 96
ORIG: AMCONSUL NAHA
TO: RUEHC/SECSTATE WASHDC 3521
RUEKJCS/SECDEF WASHINGTON DC//USDP:ISA/OATSD:PA/DPL/DDI//
RUEKJCS/JOINT STAFF WASHINGTON DC
RUEHKO/AMEMBASSY TOKYO//1082//
INFO: RHHMUNA/USCINCPAC HONOLULU HI//00//
RHHMHAH/CINCPACFLT PEARL HARBOR HI//00//
RUHPHMS/COMMARFORPAC//CG/DCG/PAO//
RUEACMC/CMC WASHINGTON DC//PP&O/DIRPA/POLAD/PA//
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RUAHYAF/5AF YOKOTA AB JA
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RUHGOAA/COMSEVENTHFLT//00//
SUBJ: OKINAWA PREFECTURAL ASSEMBLY SPEAKER AND VICE
SPEAKER CALL ON CONGEN

TEXT:
UNCLAS NAHA 0390

USCINCPAC ALSO FOR FPA SALMON
TOKYO PLEASE PASS FUKUOKA
DOD/ISA PLEASE PASS TO SAKODA

PAGE 03 RUWFSGG3830 UNCLAS NAHA 0390

E.O. 12958:N/A

TAGS: MARR, PGOV, JA
SUBJECT: OKINAWA PREFECTURAL ASSEMBLY SPEAKER AND VICE
SPEAKER CALL ON CONGEN

1. THE NEWLY ELECTED SPEAKER AND VICE SPEAKER OF THE PREFECTURAL ASSEMBLY MADE A COURTESY CALL ON THE CONSUL GENERAL ON JULY 1, THE FIRST WORKING DAY AFTER THEIR ELECTION. SPEAKER SHINSUKE TOMOYORI IS THE FIRST SOCIALIST TO HOLD THE POSITION; HIS DEPUTY, SEIZEN HOKAMA, IS FROM THE SHINSHINTO. ALTHOUGH THE VISIT WAS A COURTESY CALL, THE TWO ASSEMBLYMEN WERE NOT SHY ABOUT RAISING SUBSTANTIVE ISSUES. TOMOYORI EXPRESSED THE HOPE THAT THE USG WOULD TAKE THE LEAD IN PUSHING THE GOJ ON BASE CONSOLIDATION AND REALIGNMENT, RATHER THAN WAITING FOR TOKYO TO TAKE ACTION.

CONGEN RESPONDED THAT BOTH GOVERNMENTS WERE COOPERATING
CLOSELY IN THE SACO PROCESS.

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2. DEPUTY SPEAKER HOKAMA EXPRESSED APPRECIATION NOT ONLY
FOR THE WORK THAT THE USG HAS PUT INTO SACO SO FAR BUT ALSO
FOR THE ATTENTION THAT USG OFFICIALS TRADITIONALLY HAVE
PAID TO OKINAWAN CONCERNS. HE NOTED THAT WHEN OKINAWAN
DELEGATIONS MEET WITH GOJ OFFICIALS IN TOKYO, JAPANESE
OFFICIALS SPARE LITTLE TIME, SAYING THEY ARE TOO BUSY. IN
CONTRAST, HOKAMA SAID, AMERICAN OFFICIALS, WHETHER HERE OR
IN THE U.S., NORMALLY MAKE TIME AVAILABLE TO DISCUSS
CONCERNS. HE SAID OKINAWANS RECOGNIZE THAT THE AMERICANS
ARE WILLING TO MAKE AN EFFORT AT UNDERSTANDING EVEN IF WE
CANNOT ALWAYS ACCEDE TO OKINAWAN WISHES.

3. HOKAMA ASKED ABOUT THE POSSIBILITY THAT U.S. FORCES,
ESPECIALLY THE HELICOPTER UNITS AT FUTENMA, COULD BE
RELOCATED TO GUAM. (THIS WAS SHORTLY AFTER OKINAWAN SPDJ
DIET MEMBER KOSUKE UEHARA VISITED GUAM TO LOOK INTO
RELOCATION POSSIBILITIES.) IN RESPONSE, CONGEN POINTED OUT
THAT BECAUSE OF THE LOW SPEED AND SHORT RANGE OF
HELICOPTERS, THEY MUST BE LOCATED CLOSE TO THE MARINE
GROUND UNITS THAT THEY TRANSPORT AND SUPPORT. IT WOULD NOT

PAGE 05 RUWFSGG3830 UNCLAS NAHA 0390

BE POSSIBLE TO SEPARATE THE HELICOPTERS FROM THE GROUND
UNITS. ALSO, SINCE GUAM IS EVEN SMALLER THAN OKINAWA,
RELOCATING BOTH TYPES OF UNITS THERE WOULD BE IMPRACTICAL
BECAUSE THERE IS LITTLE ROOM AVAILABLE FOR TRAINING.
TOMOYORI AND HOKAMA INDICATED THEY UNDERSTOOD THE PROBLEM.

4. COMMENT: WE TRADITIONALLY MAINTAINED CLOSE CONTACT
WITH THE ASSEMBLY SPEAKERS WHEN THEY WERE FROM THE LDP.
THE NEW ASSEMBLY WILL PROBABLY BE A BIT MORE OBSTREPOROUS
THAN ITS PREDECESSORS SINCE THE REFORMISTS HAVE A SMALL
MAJORITY. THUS IT WILL BE PARTICULARLY IMPORTANT TO KEEP
IN TOUCH WITH TOMOYORI, TO ENCOURAGE MODERATION IN THE
ASSEMBLYS STANCE ON BASE ISSUES.
O'NEILL//

SECT: SECTION: 01 OF 01

SSN: 3830

TOR: 960710023153 M2307706

DIST:

SIT: NSC

Cable

PREC: IMMEDIATE
CLASS: UNCLASSIFIED
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DTG: 110226Z JUL 96
ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 4760
RUEHIA/USIA WASHDC IMMEDIATE 0014
INFO: RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RHHMUNA/USCINCPAC HONOLULU HI//USIA//
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RHEHAAA/WHITE HOUSE WASHDC
RUEKJCS/SECDEF WASHDC
RUAYJAA/COMPATWING ONE KAMI SEYA JA
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RUEAIIA/CIA WASHDC
RUCPDOG/USDOC WASHDC
RUEBBEA/USDOT WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JULY 11

TEXT:
UNCLAS SECTION 01 OF 08 TOKYO 006389

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR
EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA
WASHDC; SECDEF FOR JCS/J-5/JAPAN, OASD/ISA/EAPR/JAPAN;
TREASURY/OASIA/IMI; WHITE HOUSE; COMMERCE FOR DAS;
USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA;
COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 11

TOP HEADLINES:

ASAHI: FISCAL SYSTEM ADVISORY COUNCIL UNVEILS "STRUCTURAL
REFORM WHITEPAPER"; CUTS IN MEDICAL TREATMENT COST FOR
THE ELDERLY AND PENSION PROPOSED; 14 AREAS COVERED;
ALLOWANCES FOR CHILDREN ALSO SUBJECT TO REVIEW

NIHON KEIZAI: FISCAL SYSTEM COUNCIL'S REPORT: PROPOSAL
FOR SETTING GOALS WITHIN YEAR TO RECONSTRUCT FINANCES;
CUT IN ANNUAL EXPENDITURES INCLUDING SOCIAL WELFARE
PROPOSED; MEDICAL INSURANCE SYSTEM LIKELY TO BE REFORMED

IN NEXT FISCAL YEAR (TRANSLATION BELOW)

TOKYO SHIMBUN: SETTING OF NUMERICAL TARGETS PROPOSED FOR FISCAL RECONSTRUCTION; FISCAL SYSTEM COUNCIL'S INTERIM REPORT AND REFORM WHITE PAPER; WILL NOT ALLOW ANY AREA TO BE "A SANCTUARY" AS TO CUTS IN ANNUAL EXPENDITURES

MAINICHI: "OKINAWA IS NOT A VACUUM ZONE OF CONSTITUTION"; APPEAL BY GOVERNOR OTA AND OTHERS; TRIAL AT COURT OF FINAL APPEAL CONCLUDED ON PROXY-SIGNING

YOMIURI: FISCAL SYSTEM COUNCIL'S INTERIM REPORT UNVEILED; NUMERICAL TARGETING FOR FISCAL RECONSTRUCTION; CEILINGS TO BE TIGHTENED

SANKEI: FISCAL SYSTEM COUNCIL'S INTERIM REPORT AND WHITE PAPER; NUMERICAL TARGETS FOR FISCAL RECONSTRUCTION; NO EXCEPTIONS TO REDUCTION IN ANNUAL EXPENDITURES; SOCIAL WELFARE AND OTHER ITEMS SUBJECT TO REVIEW

GOVERNOR OTA MAKES PLEA TO SUPREME COURT AGAINST PROXY-SIGNING LAWSUIT (ASAHI - PAGE 1)

ORAL PLEADINGS WERE HELD ON JULY 10 AT THE GRAND BENCH OF THE SUPREME COURT (PRESIDING JUDGE: TORU MIYOSHI, CHIEF JUSTICE OF THE SUPREME COURT) OVER THE LAWSUIT BY THE PRIME MINISTER AGAINST GOVERNOR MASAHIDE OTA REGARDING THE PROXY-SIGNING OF THE LAND AND PROPERTY PAPERS NECESSARY FOR THE FORCIBLE USE OF LAND LOTS IN OKINAWA BY UNITED STATES BASES. GOVERNOR OTA STATED: "REFUSING TO DO PROXY-SIGNING WAS AN UNAVOIDABLE CHOICE FOR ME AS A GOVERNOR ENTRUSTED BY THE OKINAWAN CITIZENS, WHO HAVE SUFFERED A HEAVY BURDEN FROM THE BASES." MEANWHILE, THE CENTRAL GOVERNMENT REBUTTED: "REFUSAL OF PROXY-SIGNING VIOLATES RESPONSIBILITIES UNDER THE U.S.-JAPAN SECURITY TREATY." THE ORAL PLEADINGS WERE THEN WOUND UP. THE SUPREME COURT IS EXPECTED TO HAND DOWN A RULING POSSIBLY IN SEPTEMBER REGARDING THE REFUSAL BY THE GOVERNOR, WHO HAS RAISED NEW QUESTIONS ABOUT RELATIONS BETWEEN THE CENTRAL AND LOCAL GOVERNMENT.

OTA SPELLS OUTS OKINAWA'S HOPES AND DREAMS AND SAYS THE BASES ARE AN ALL-JAPAN ISSUE (ASAHI - PAGE 39)

APPLAUSE AROSE IN ROOM OF THE SOLEMN GRAND BENCH OF THE SUPREME COURT. IN A TRIAL HELD ON JULY 10 AT THE COURT OF FINAL APPEAL OVER THE PROXY-SIGNING, GOVERNOR OTA GAVE A 20-MINUTE STATEMENT. IN IT, HE EARNESTLY EXPLAINED THE HISTORY OF OKINAWAN HARDSHIPS STARTING WITH THE DAYS OF RYUKYU MONARCHY AND GOING ON TO THE POSTWAR 50 YEARS SINCE THE BATTLE OF OKINAWA. HE THEN MADE A PENETRATING REMARK, "THE OKINAWA BASES PROBLEM IS A QUESTION INVOLVING ALL OF JAPAN, CALLING JAPAN'S SOVEREIGNTY AND DEMOCRACY INTO QUESTION," AND HE CONCLUDED: "WE HOPE FOR SUCH AN OKINAWA IN THE FUTURE THAT YOUNG PEOPLE CAN HAVE DREAMS AND HOPES." THE MOMENT THE COURT ADJOURNED, HIS SUPPORTERS FILLING THE GALLERY ALL STOOD UP AND PRAISED HIM WHISTLING THROUGH THEIR FINGERS. SECURITY, PEACE AND

CIVIL RIGHTS. CENTRAL GOVERNMENT AND THE LOCAL GOVERNMENT. WHAT JUDGMENT WILL THE "GUARDIAN OF THE CONSTITUTION" MAKE? THE CENTRAL GOVERNMENT, THE DIET AND THE SUPREME COURT. THE SERIOUS QUESTIONS RAISED BY OKINAWA ARE NOW ROCKING THE CENTRAL CORE OF THIS COUNTRY. UNCLAS SECTION 02 OF 08 TOKYO 006389

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS/J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; COMMERCE FOR DAS; USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 11

AMBASSADOR MONDALE: JAPANQS CONTINGENCY RESPONSES TO INCLUDE REMOVAL OF MINES (ASAHI - PAGE 2)

U.S. AMBASSADOR TO JAPAN MONDALE HELD A PRESS CONFERENCE AT THE U.S. EMBASSY ON JULY 10, AND THEN TOUCHED ON THE ONGOING JAPAN-U.S. JOINT WORK OF REVIEWING THE "GUIDELINES FOR DEFENSE COOPERATION." IN THIS REGARD, THE AMBASSADOR STATED THAT THE TWO GOVERNMENTS "WOULD STUDY SUCH ACTIVITIES AS GIVING REAR SUPPORT, MAKING USE OF HOSPITALS AND OTHER FACILITIES (IN JAPAN), PROCURING SUPPLIES AND SERVICES INCLUDING FUEL, COPING WITH REFUGEES, AND REMOVING MINES FROM THE SEA LANES," CITING THESE AS ASSISTANCE THE U.S. WOULD ASK FROM JAPAN FOR IN CASE OF AN EMERGENCY ON THE KOREAN PENINSULA.

THE AMBASSADOR REMARKED, "I'M FULLY AWARE OF THE CONSTITUTION OF JAPAN." BASED ON THIS POSITION, THE AMBASSADOR ADDED, "IT IS NOT THE RIGHT OF COLLECTIVE SELF-DEFENSE. IT IS HOW TO RESPOND IN CASE JAPAN'S OWN SECURITY IS THREATENED. IT SHOULD NOT LEAD TO ANY CHANGE IN THE JAPANESE SIDE'S POLICY."

TRANSFERAL OF FUTENMA FACILITIES FACING DIFFICULT COORDINATION (NIHON KEIZAI - PAGE 2)

ON THE PROBLEM OF RELOCATING THE U.S. FORCES' FUTENMA AIR STATION HELIPORT IN OKINAWA TO AN ALTERNATIVE SITE AS A PRECONDITION FOR RETURNING THE AIRFIELD SITE, U.S. GOVERNMENT OFFICIALS ARE NOW INCREASINGLY BECOMING WARY OF THE JAPANESE SIDE'S RESPONSE. THE JAPANESE SIDE IS NOW BEING DOMINATED BY AN ASSERTION INSISTING THAT JAPAN SHOULD PUSH AHEAD WITH COORDINATION FOCUSING ON THE POSSIBILITY OF RELOCATION TO KADENA AIR FORCE BASE. ON THE OTHER HAND, HOWEVER, MANY U.S. DEFENSE OFFICIALS ARE SKEPTICALLY SAYING THAT EVEN IF THE U.S. ACCEPTS THE IDEA OF RELOCATION TO KADENA AFB, IT IS DOUBTFUL WHETHER SUCH WILL BE CONVINCING TO THE LOCAL GOVERNMENT OF OKINAWA

PREFECTURE. CONCERNING THE PROCESS OF SELECTING AN ALTERNATIVE SITE FOR HELIPORT RELOCATION, THOSE CONCERNED IN JAPAN HAVE BEEN MAKING SPECULATIVE REMARKS, WHICH ARE NOW GRADUALLY GOING AHEAD OF THE NEGOTIATIONS BETWEEN JAPAN AND THE U.S. AND ARE CASTING A SHADOW OVER THE FUTURE COURSE OF THE TWO COUNTRIES' NEGOTIATIONS. (AKIHIKO MIYAMOTO, WASHINGTON, AND ATSUSHI IJUIN, POLITICAL SECTION, NIHON KEIZAI SHIMBUN)

IN WASHINGTON, U.S. SECRETARY OF DEFENSE PERRY MET WITH A DELEGATION TO THE U.S. FROM THE LOWER HOUSE'S SPECIAL COMMITTEE ON OKINAWA AND NORTHERN TERRITORY ON JULY 9, AND THEN CLARIFIED HIS INTENTION OF MAKING UTMOST EFFORTS FOR A SETTLEMENT OF THE HELIPORT RELOCATION ISSUE IN ORDER TO CARRY OUT THE ACTUAL RETURN OF THE FUTENMA AIRFIELD SITE. HOWEVER, A DIPLOMATIC SOURCE IN THE U.S. POINTS OUT THAT "THE U.S. SIDE IS NOW BECOMING TIRED (OF SEEING NO PROGRESS IN JAPAN'S DOMESTIC COORDINATION)."

ACCORDING TO AN INFORMED SOURCE, THE IDEA OF RELOCATION TO KADENA AFB HAS COME UP SINCE OKINAWA PREFECTURE'S LIEUTENANT GOVERNOR YOSHIMOTO TRANSMITTED THE LOCAL GOVERNMENT'S INTENTION TO THE PRIME MINISTER'S OFFICIAL RESIDENCE THROUGH THE SOCIAL DEMOCRATIC PARTY TO "ACCEPT RELOCATION." THE HEAD OF THE LOWER-HOUSE DELEGATION TO THE U.S., MATSUSHO MIYASATO, ALSO HELD A PRESS CONFERENCE IN WASHINGTON, D.C. ON JULY 9, AND THEN STATED THAT HE HAS "OBTAINED A FEEL OF THE PREFECTURAL GOVERNMENT (SAYING IT WILL BE POSSIBLE TO RELOCATE THE HELIPORT TO KADENA). HOWEVER, THE JAPANESE GOVERNMENT, RIGHT AFTER YOSHIMOTO'S TRANSMISSION OF HIS VIEW, INQUIRED OF THE MUNICIPAL OFFICE OF KADENA TOWN TO CONFIRM IT, AND THEN LEARNED THAT SUCH WAS "A GREAT SURPRISE" TO THE TOWN. YOSHIMOTO THEREAFTER DENIED THE "ACCEPTANCE OF RELOCATION TO KADENA."

UNCLAS SECTION 03 OF 08 TOKYO 006389

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS/J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; COMMERCE FOR DAS; USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 11

AS CANDIDATE SITES FOR HELIPORT RELOCATION, THERE ARE NOW FOUR PLACES. ON THE LIST IS THE KADENA AMMUNITION DEPORT AREA, KADENA AFB, CAMP HANSEN, AND CAMP SCHWAB. BUT THE IDEA (OF RELOCATION TO KADENA AFB) IS THE FIRST ONE THE U.S. SIDE WANTS TO DROP BECAUSE "RELOCATION TO KADENA, WHERE A HELIPORT WILL BE ADJACENT TO THE AIR FORCE'S AIRFIELD, WILL HAVE PROBLEMS FROM THE VIEWPOINT OF AIR

TRAFFIC CONTROL."

SOME IN THE SDP ARE SAYING THAT "IT WILL LEAD TO BASE REDUCTION BECAUSE AN EXISTING BASE IS GOING TO BE USED." HOWEVER, ONE IN THE LIBERAL DEMOCRATIC PARTY HAS POSED THE QUESTION: "I WONDER IF THE SECURITY ARRANGEMENTS WILL FUNCTION WITH THAT." ANOTHER LDP MEMBER CITES EVEN A SHREWD PERSPECTIVE, ARGUING, "THAT'S A TACTIC TO ENTRAP KADENA TOWN HEADMAN MIYAGI, WHO IS A CONSERVATIVE LINER."

ON JULY 10, A TOP-LEVEL OFFICIAL OF THE FOREIGN MINISTRY TOUCHED ON SECRETARY OF DEFENSE PERRY'S JULY 9 REMARK TO THE EFFECT THAT THE U.S. SIDE WOULD LOOK INTO THE POSSIBILITY OF RELOCATION (TO OTHER PLACES) INCLUDING KADENA AFB, TOO. IN THIS REGARD, THE FOREIGN MINISTRY OFFICIAL REMARKED THAT THE U.S. SIDE "SHOULD HAVE MENTIONED IT WOULD BE DIFFICULT (TO RELOCATE THE HELIPORT TO KADENA)." SO SAYING, THE OFFICIAL EXPRESSED CONCERN OVER THE CASE WHERE THE REMARK ITSELF MAY GO AHEAD ALONE.

JAPAN AND THE U.S. WILL HOLD A MEETING OF THE TWO COUNTRIES' INTERGOVERNMENTAL SPECIAL ACTION COMMITTEE (ON FACILITIES AND AREAS IN OKINAWA) (SACO) IN EARLY AUGUST TO GROPE FOR CLUES IN THE DIRECTION OF RESOLVING THE SITUATION. UP TO THE RELEASE OF AN INTERIM REPORT IN APRIL WHEN THE DECISION WAS MADE TO RETURN FUTENMA, SACO USED TO HAVE A STRONG-TONED IMPRINT OF JOINT WORK BETWEEN JAPAN AND THE U.S. HOWEVER, ONE OF THOSE ENGAGED IN THE BILATERAL NEGOTIATIONS NOTES, "THERE ARE NOW VARIOUS REMARKS COMING OUT OF MANY PEOPLE LIKE THIS. SUCH WILL CAUSE DISCORD BETWEEN THE TWO COUNTRIES, AND WILL BADLY AFFECT THE NEGOTIATIONS."

HASHIMOTO MAY DROP TRIP TO RUSSIA: YELTSIN INAUGURATION ON DAY SOVIET UNION JOINED WAR AGAINST JAPAN (ASAHI - PAGE 3)

"DO YOU KNOW WHAT AUGUST 9 MEANS TO JAPAN? I DON'T KNOW IF I SHOULD VISIT (RUSSIA) THAT DAY TO ATTEND THE CEREMONY."

PRIME MINISTER RYUTARO HASHIMOTO SHORTLY AFTER NOON YESTERDAY REMINDED THE PRESS THAT TOWARD THE END OF WORLD WAR II, ON AUGUST 9, 1945, THE FORMER SOVIET UNION BEGAN ATTACKING JAPAN. IN ADDITION, HE INDICATED THAT HE WOULD RECONSIDER HIS RUSSIAN TRIP IF PRESIDENT YELTSIN'S INAUGURATION IS SET FOR AUGUST 9 BECAUSE THAT WAS THE DAY THE FORMER SOVIET ARMY STARTED ADVANCING INTO FORMER MANCHURIA. LATER YESTERDAY, RUSSIA FORMALLY DECIDED TO HOLD THE CEREMONY ON AUGUST 9. THE PRIME MINISTER NOW NEEDS TO REEXAMINE THE EVENT CAREFULLY.

THE PRIME MINISTER ALSO NOTED: "DO YOU THINK I SHOULD GO THERE (ON THE DATE THE SOVIET UNION) BROKE THE NONAGGRESSION PACT (RUSSO-JAPANESE NEUTRALITY TREATY)? I DON'T THINK SUCH IS A GOOD IDEA." CHIEF CABINET SECRETARY SEIROKU KAJIYAMA ALSO REMARKED TO THE PRESS YESTERDAY: "ON AUGUST 9 (1945), I WAS WORKING IN FORMER

MANCHURIA AS A MEMBER OF THE JAPANESE IMPERIAL ARMY. I STILL REMEMBER THE SOVIET UNION'S ILLEGAL PARTICIPATION IN THE WAR THAT CAUSED TREMENDOUS TRAGEDIES AMONG JAPANESE NATIONALS THERE."

THE SUBTLE CHANGE IN THE PRIME MINISTER'S TONE REGARDING HIS RUSSIAN TRIP REFLECTS HIS CONSIDERATION TOWARD THE SENTIMENT OF THE MANCHURIA RETURNEES.

UNCLAS SECTION 04 OF 08 TOKYO 006389

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS/J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; COMMERCE FOR DAS; USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 11

SAKIGAKE PARTY HEAD TAKEMURA BLASTED IN CHINA OVER YEN-LOAN FREEZING ISSUE (ASAHI - PAGE 3)

(BEIJING, JULY 10, TAKESHI SAGARA) SAKIGAKE PARTY'S CHIEF MASAYOSHI TAKEMURA, NOW IN CHINA, MET WITH PRESIDENT JIANG ZE MIN ON JULY 10 IN BEIJING.

IN THEIR TALKS, TAKEMURA ASKED CHINA TO IMMEDIATELY SUSPEND NUCLEAR TESTING, THOUGH CHINA HAS STATED IT WILL CONDUCT ONE MORE ROUND OF NUCLEAR TESTING BEFORE IT SIGNS THE COMPREHENSIVE TEST BAN TREATY (CTBT). IN RESPONSE, PRESIDENT JIANG STRESSED THERE WAS NO CHANGE IN HIS PLAN TO CONTINUE NUCLEAR TESTING," ADDING, "WE WOULD LIKE TO CARRY OUT ONE MORE ROUND OF NUCLEAR TESTING." OPPOSING SAKIGAKE'S ASSERTION THAT YEN LOAN TALKS WITH CHINA SHOULD BE FROZEN UNTIL NUCLEAR TESTING IS DECIDED TO BE SUSPENDED, JIANG EXPRESSED A SENSE OF DISPLEASURE, REMARKING, "CHINA WOULD NEGATIVELY REACT IF THREATENED."

THEIR MEETING LASTED FOR ONE AND HALF HOURS, BUT MOST OF TIME WAS SPENT TO EXCHANGE VIEWS ON THE NUCLEAR WEAPONS ISSUE. PRESIDENT JIANG INSISTED, "CHINA POSSESSES NUCLEAR WEAPONS FOR THE SAKE OF SELF-DEFENSE," AND ONCE AGAIN EMPHASIZED IT HAS ANNOUNCED ITS POLICY LINE OF NOT USING THEM IN THE FIRST STRIKE, NOT USING THEM AGAINST NON-NUCLEAR POWERS AND REALIZING NUCLEAR ABOLITION IN THE END.

NOBORU USAMI, WHO ACCOMPANIED TAKEMURA, STATED: "OUR WORRY IS THAT IF CHINA CONTINUES TO CARRY OUT NUCLEAR TESTS, WE HAVE TO RESTUDY JAPAN'S EXTERNAL POLICY INCLUDING YEN LOANS." PRESIDENT JIANG HOWEVER EXPRESSED A SENSE OF DISPLEASURE, SAYING: "I EXPECT JAPAN TO ENDEAVOR TO STOP ADOPTING SUCH A THINKING. THOSE WHO

ALWAYS EAT THEIR FILL CANNOT UNDERSTAND THE FEELINGS OF THOSE WHO ALWAYS ARE HUNGRY."

BESIDES, REGARDING HISTORICAL PERSPECTIVES AS TO THE PAST WAR, TAKEMURA EXPLAINED: "JAPAN WILL NEVER BECOME A MILITARY POWER. SAKIGAKE'S BASIC PHILOSOPHY IS NEVER TO REPEAT A STUPID WAR OF AGGRESSION." IN RESPONSE, PRESIDENT JIANG SAID: "IN THE COMING YEARS, IT IS NECESSARY FOR YOUNG PEOPLE OF BOTH JAPAN AND CHINA TO WORK TOGETHER HORIZONTALLY, BUT FOR THAT PURPOSE, THE KEY LIES IN HISTORICAL PERSPECTIVES."

NEW FISCAL RECONSTRUCTION PLAN PROPOSED BY ADVISORY PANEL (NIHON KEIZAI - TOP PLAY)

THE FISCAL SYSTEM ADVISORY COUNCIL (ADVISORY PANEL TO THE FINANCE MINISTER, CHAIRED BY SHOICHIRO TOYODA) YESTERDAY COMPILED AN INTERIM REPORT CALLING FOR SETTING UP A FISCAL RECONSTRUCTION TARGET BEFORE THE END OF THE YEAR. THE REPORT STRESSED THAT JAPAN'S FISCAL CONDITION IS EXTREMELY SERIOUS. THE ADVISORY COUNCIL ALSO ISSUED A REPORT ON SECTOR-SELECTIVE EXPENDITURES (FISCAL STRUCTURE REFORM WHITE PAPER). IN IT, THE PANEL UNDERSCORES THE NECESSITY FOR CONSTRAINING EXPENDITURES IN EVERY AREA, INCLUDING SOCIAL SECURITY. REFORM OF THE MEDICAL INSURANCE SYSTEM IS ALSO AMONG THE REQUESTS THE PANEL HAS MADE. IT PROPOSES RESTUDYING THE BURDEN OF PATIENTS IN FISCAL 1997 AND REVIEWING THOSE WHO ARE ELIGIBLE FOR RECEIVING PENSIONS. THE REPORT ALSO INCLUDES THE PANEL'S PERCEPTION OF THE HANDLING OF THE DEBTS CARRIED OVER FROM THE FORMER JAPANESE NATIONAL RAILWAYS, NOTING THAT A TAX HIKE WILL BE UNAVOIDABLE IN THE END.

POINTS OF REPORT ISSUED BY THE FISCAL SYSTEM ADVISORY COUNCIL

(INTERIM REPORT)

-- THE RATIO OF BURDEN TO BE SHOULDERED BY THE PEOPLE WILL SHARPLY RISE AS THE AGING OF THE POPULACE
UNCLAS SECTION 05 OF 08 TOKYO 006389

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS/J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; COMMERCE FOR DAS; USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 11

PROGRESSES.

-- DELIBERATE ON A FISCAL RECONSTRUCTION TARGET FROM

EARLY FALL, USING AS REFERENCE THE EUROPEAN COUNTRIES AND THE UNITED STATES.

-- IN ORDER TO KEEP THE NATION'S FISCAL CONDITION IN BALANCE BY FISCAL 2002, FOLLOWING THE U.S. FORMULA, IT IS NECESSARY TO CUT BACK ANNUAL GENERAL-ACCOUNT EXPENDITURES BY 5 PERCENT.

-- CAUTION HAS TO BE TAKEN IN IMPLEMENTING ECONOMIC STIMULUS MEASURES THAT TAP FISCAL RESOURCES
INTENSIVE IMPLEMENTATION OF ADMINISTRATIVE REFORM IS NECESSARY

(FISCAL STRUCTURE REFORM WHITE PAPER)

-- IT IS NECESSARY TO DRASTICALLY REFORM THE MEDICAL INSURANCE SYSTEM IN FISCAL 1997, INCLUDING A REVIEW OF THOSE WHO ARE ELIGIBLE FOR SUCH INSURANCE PAYOUTS AND THE RATIO OF BURDEN TO BE SHOULDERED BY PATIENTS

-- REVIEW THE PENSION SYSTEM, SUCH AS FUTURE OPTIONS FOR THE PAYOUT OF PENSIONS TO THOSE IN THE HIGH INCOME BRACKET.

-- IT IS NECESSARY TO REVIEW THE ROLES PLAYED BY BUREAUCRACY AND PRIVATE SECTOR, AND CENTRAL GOVERNMENT AND LOCAL GOVERNMENT IN CONSOLIDATING SOCIAL INFRASTRUCTURE AND TO SLASH COSTS OF PUBLIC WORKS PROJECTS.

-- THE BURDEN OF PASSENGERS, EXPENDITURE CUTS AND A TAX HIKE SHOULD BE CONSIDERED IN HANDLING THE DEBTS CARRIED OVER FROM THE FORMER JAPANESE NATIONAL RAILWAYS

-- PROMOTE A REDUCTION OF THE FIXED NUMBER OF NATIONAL GOVERNMENT EMPLOYEES AND MAKE THE NUMBER OF LOCAL GOVERNMENT EMPLOYEES MORE APPROPRIATE.

BILATERAL BUSINESS CONFERENCE ENDS BUT PERCEPTION GAP REMAINS (ASAHI - PAGE 13)

THE JAPAN-U.S. BUSINESSMEN'S CONFERENCE, HELD IN TOKYO FOR THREE DAYS, ENDED YESTERDAY AFTER ADOPTING A JOINT STATEMENT SPELLING OUT THE "NEED TO MAKE FURTHER EFFORTS TO ACCELERATE THE SHRINKING BILATERAL TRADE IMBALANCE." IN THE SESSION, THE PARTICIPANTS DISCUSSED THE COMMITMENT OF THE TWO COUNTRIES TO THE ASIAN MARKET AS THE FIRST CASE, IN ADDITION TO THE ECONOMIC ISSUES. AS USUAL, THE U.S. SIDE EXPRESSED STRONG DISSATISFACTION TOWARD THE CLOSED NATURE OF THE JAPANESE MARKET. THIS INDICATED THAT THERE STILL EXISTS A SERIOUS PERCEPTION GAP BETWEEN THE TWO COUNTRIES.

THE JOINT STATEMENT CLEARLY REFLECTED THE PERCEPTION GAP. FOR INSTANCE, A PASSAGE CALLING FOR FURTHER EFFORTS TO CORRECT THE TRADE IMBALANCE WAS FOLLOWED BY JAPAN'S ASSERTION, "THE IMPROVED TRADE IMBALANCE IS ASCRIBABLE TO THE STRUCTURAL CHANGE IN THE JAPANESE ECONOMY AND

EXCHANGE RATES." BUT THAT WAS ALSO FOLLOWED BY THE U.S. WARNING AGAINST THE LOW-YEN TREND.

ESPECIALLY, CATERPILLAR CHAIRMAN FITES WHO CHAIRED THE MEETING MENTIONED THE SLOW PROGRESS OF THE JAPANESE MARKET, NOTING, "IT IS STILL DIFFICULT TO MAKE INVESTMENT IN THE JAPANESE FINANCIAL AND AUTO SECTORS." MANY AMERICAN MEMBERS AGREED WITH U.S. AMBASSADOR TO JAPAN MONDALE, WHO DID NOT HIDE HIS IRRITATION IN HIS SPEECH ABOUT JAPAN'S STANCE TOWARD THE SEMICONDUCTOR TALKS.

NEVERTHELESS, THE TWO SIDES REACHED ACCORD TO TAKE UP THE "ASIA ISSUE" IN ADDITION TO THE "TELECOMMUNICATIONS AREA" UNCLAS SECTION 06 OF 08 TOKYO 006389

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS/J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; COMMERCE FOR DAS; USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA; COMNAVFORJAPAN/PA.

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IN THE SPECIAL WORKING GROUP SESSION THAT WILL START IN THE FALL. IT SEEMS THAT THE SECTOR-SPECIFIC NEGOTIATION STYLE IS NOW ABOUT TO CHANGE BETWEEN THE TWO COUNTRIES.

U.S.-JAPAN BUSINESS LEADERS AVOID STEPPING INTO SENSITIVE TRADE ISSUES AT CONFERENCE (NIHON KEIZAI - PAGE 5)

AT THE JAPAN-UNITED STATES BUSINESS CONFERENCE, WHICH WOUND UP YESTERDAY, THE REPRESENTATIVES OF BOTH COUNTRIES DID NOT DISCUSS SUCH SPECIFIC ISSUES AS SEMICONDUCTORS AND INSURANCE, BUT FOCUSED ON DISCUSSING FOREIGN EXCHANGE AND ASIAN MARKETS. THAT WAS BECAUSE THE U.S. INDICATED A WAIT-AND-SEE POSTURE TOWARD GOVERNMENT-LEVEL TALKS ON THESE ISSUES NOW IN THE HOME STRETCH. THE CONFERENCE, WHICH HAS BEEN CALLED "A PRIVATE-SECTOR VERSION OF GOVERNMENTAL TALKS," WAS SOMEWHAT DIFFERENT IN NATURE THIS YEAR.

REGARDING THE FOUR ISSUES -- SEMICONDUCTORS, INSURANCE, CIVIL AVIATION AND PHOTOFILM-- U.S. AMBASSADOR TO JAPAN MONDALE STATED, "NONE OF THEM HAS COME CLOSER TO AN AGREEMENT. THE U.S. IS IRRITATED." FUJI XEROX CHAIRMAN YOTARO KOBAYASHI, THE CHAIR FOR THE JAPANESE SIDE, CALLED ON THE U.S. SIDE TO "DISCUSS A NEW COOPERATIVE RELATIONSHIP BETWEEN THE JAPANESE AND U.S. BUSINESS CIRCLES." TENSION ROSE ALL AT ONCE.

HOWEVER, NO WRANGLING WAS OBSERVED IN THE DISCUSSIONS HELD AFTER THAT. IN A JOINT STATEMENT, BOTH SIDES REFERRED TO THESE ISSUES WITH ONLY THE WORDS "WE NEED TO

PUT OUR ENERGY INTO SETTTLING MAJOR SPECIFIC ISSUES." "IT IS UNNECESSARY TO TAKE UP PROBLEMS ON WHICH GOVERNMENTAL NEGOTIATIONS ARE MAKING HEADWAY" (MICHAEL JORDAN, WESTINGHOUSE ELECTRIC CHAIRMAN); AND "NO DECISION CANNOT BE DECIDED BY PRIVATE-SECTOR TALKS" (PAT WEBER, TEXAS INSTRUMENTS VICE CHAIRMAN) -- THE U.S. POSTURE AS EXPRESSED BY THESE REMARKS COINCIDED WITH JAPAN'S DESIRE TO SKIRT DISCUSSION OF SPECIFIC ISSUES.

THE "CALMNESS" OF THE U.S. REPRESENTATIVES MAY BE A SORT OF EXPRESSION OF THEIR DISAPPOINTMENT WITH THE JAPANESE BUSINESS COMMUNITY. DONALD FITES, CATERPILLAR CHAIRMAN AND CHAIRMAN REPRESENTING THE U.S. SIDE STATED, "NOW THAT PRIVATE-SECTOR TALKS HAVE ENDED IN FAILURE, IT IS NATURAL FOR US TO RELY ON THE GOVERNMENT." WITH THIS, HE IMPLIED THAT IT WOULD BE WASTE OF TIME TO FURTHER CONTINUE PRIVATE-SECTOR NEGOTIATIONS.

U.S. AMBASSADOR ON CIVAIR TALKS: IF MARKET OPENING INVOLVED, U.S. WILL DISCUSS (NIHON KEIZAI - PAGE 5)

AMERICAN AMBASSADOR TO JAPAN MONDALE YESTERDAY HELD A PRESS CONFERENCE WITH SOME JOURNALISTS AT THE UNITED STATES EMBASSY IN TOKYO AND REVEALED HIS VIEW ON PENDING ISSUES BETWEEN JAPAN AND THE U.S., NOTING THAT THE U.S. WOULD COMPLY WITH CIVAIR TALKS, IF THEY ARE LINKED TO THE OPENING OF THE (JAPANESE) MARKET AND THAT HE CONSIDERS THE SEMICONDUCTOR TALKS WILL MOST LIKELY REACH A SETTLEMENT BY THE END OF JULY, ALTHOUGH THAT WOULD DEPEND ON THE OUTCOME OF THE VICE MINISTER AND MINISTER-LEVEL NEGOTIATIONS. AMBASSADOR MONDALE WILL RETURN HOME FOR ABOUT TWO MONTHS FROM THIS WEEKEND FOR A SUMMER VACATION. REFERRING TO THE AGREEMENT REACHED BETWEEN THE TWO COUNTRIES OVER THE RETURN OF FUTENMA AIR STATION, HE UNDERScoreD, "JAPAN AND U.S. RELATIONS ARE BY AND LARGE ARE IN THE BEST SHAPE IN MANY YEARS." AS TO THE CIVAIR TALKS THAT FELL THROUGH, HE ONCE AGAIN STATED, "IF THE MINISTRY OF TRANSPORTATION (MOT) APPROVES AN APPLICATION FOR FLIGHT OPERATIONS MADE BY A U.S. CARRIER, WHICH IS A RIGHT GRANTED UNDER THE PACT, THE U.S. WILL COMPLY WITH NEGOTIATIONS FOR EXPANDING THE RIGHTS AND INTERESTS OF JAPANESE AND U.S. CARRIERS AND LIBERALIZING FLIGHT OPERATIONS."

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USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA WASHDC; SECDEF FOR JCS/J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; COMMERCE FOR DAS; USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA; COMNAVFORJAPAN/PA.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 11

REGARDING THE ISSUE OF RENEWING THE SEMICONDUCTOR AGREEMENT, THE AMBASSADOR UNDERLINED, "SOME KIND OF AGREEMENT IS NECESSARY TO MAINTAIN THE COMPETITIVE ENVIRONMENT OF THE MARKET." TO A REQUEST MADE BY THE EUROPEAN UNION (EU) FOR ITS PARTICIPATION IN A MEETING OF THE GOVERNMENTS OF MAJOR COUNTRIES, HE REMARKED, "IT IS A PREREQUISITE FOR JAPAN AND THE U.S. -- TWO MAJOR MANUFACTURING COUNTRIES -- TO REACH AN AGREEMENT."

AMBASSADOR MONDALE ALSO REFERRED TO JAPAN'S ECONOMIC SITUATION AND INDIRECTLY ASKED FOR MEASURES TO SUSTAIN THE BURGEONING RECOVERY," NOTING, "THE U.S. AND OTHER COUNTRIES ARE HOPING FOR SOUND GROWTH OF THE JAPANESE ECONOMY."

IN THE RUNUP TO THE PRESIDENTIAL ELECTION SCHEDULED FOR NOVEMBER, THE AMBASSADOR IS EXPECTED TO TAKE PART IN THE UPCOMING DEMOCRATIC PARTY CONVENTION IMMEDIATELY AFTER RETURNING HOME. REGARDING AN OBSERVATION ON "THE POSSIBILITY OF HIS ASSUMING THE OFFICE OF SECRETARY OF STATE," HE STEERED CLEAR OF REPLYING TO SUCH A QUESTION, SIMPLY NOTING, "I AM NOT LOOKING FOR ANOTHER JOB."

MOT APPROVES SPECIAL FLIGHTS BY U.S. CARRIER BETWEEN NARITA AND LOS ANGELES

THE MOT YESTERDAY GRANTED APPROVAL FOR OPERATING SEVEN SPECIAL FLIGHTS ON THE ROUTE BETWEEN NARITA AND LOS ANGELES BY UNITED AIRLINES OF THE U.S. FOR A WEEK STARTING ON THE 16TH. THE DECISION IS IN RESPONSE TO THE U.S. AUTHORITIES' APPROVAL FOR ONE-WEEK OPERATIONS OF CHARTERED FLIGHTS BY JAPAN AIR LINES BETWEEN HIROSHIMA AND HONOLULU. THE TRANSPORTATION AUTHORITIES OF THE TWO COUNTRIES ARE INVOKING SANCTIONS ON A LIMITED BASIS, AND THE ROUTES APPLIED BY THE TWO CARRIERS ARE SUBJECT TO SUCH SANCTIONS. THE BILATERAL CONFRONTATION IS CONTINUING.

FEDERAL EXPRESS MAY ASK FOR SANCTIONS AGAINST JAPAN OVER BEYOND-RIGHTS ISSUE (NIHON KEIZAI PAGE 11)

MICHAEL L. DACCAR (TN: PHONETIC), VICE PRESIDENT (FOR ASIA-PACIFIC REGION) OF FEDERAL EXPRESS, IN AN INTERVIEW WITH A NIHON KEIZAI SHIMBUN REPORTER ON THE 10TH, STATED: "IF THE MINISTRY OF TRANSPORT (MOT) OF JAPAN DOES NOT APPROVE OUR RIGHT TO FLY BEYOND JAPAN, WE MIGHT REQUEST THE DEPARTMENT OF TRANSPORT (DOT) OF THE UNITED STATES FOR SANCTIONS AGAINST JAPAN." U.S. CARRIER NORTHWEST AIRLINES (NWA) HAS ALREADY SOUGHT SANCTIONS TO BE IMPOSED ON JAPAN IN THE PASSENGER SECTOR. A WAR OF SANCTIONS MAY BREAK OUT IN THE CARGO SECTOR AS WELL.

FEDERAL EXPRESS APPLIED FOR FLIGHTS STARTING ON THE 1ST TO JAKARTA, CEBU AND MANILA FROM TOKYO, AS WELL AS TO BEIJING AND SHANGHAI FROM OSAKA, BUT THE MOT HAS RESERVED JUDGMENT. A MOT OFFICIAL EXPLAINED, "ALTHOUGH WE ASKED THE COMPANY TO PRESENT DATA ON HOW MUCH CARGO WOULD BE

LOADED IN JAPAN, IT HAS MADE NO RESPONSE." DACCAR
CRITICIZED SUCH A MOT POSTURE AS "INFRINGING ON OUR
VESTED RIGHTS."

IN THE PASSENGER SECTOR, NWA HAS PRESENTED THE DOT WITH A
LETTER REQUESTING SANCTIONS BASED ON THE INTERNATIONAL
CIVIL AVIATION FAIR COMPETITION PRACTICE LAW, ACCUSING
THE MOT OF NOT APPROVING ITS FLIGHTS BETWEEN OSAKA AND
JAKARTA. THE U.S. GOVERNMENT IS NOW LOOKING INTO THE
MATTER.

NO PROGRESS AT ALL IN SEMICONDUCTOR TALKS
(NIHON KEIZAI - PAGE 5)

THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)
AND THE OFFICE OF THE U.S. TRADE REPRESENTATIVE (USTR)
HELD WORKING-LEVEL TALKS ON THE 9TH AND 10TH AT THE
UNCLAS SECTION 08 OF 08 TOKYO 006389

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, RMR; STATE FOR
EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA
WASHDC; SECDEF FOR JCS/J-5/JAPAN, OASD/ISA/EAPR/JAPAN;
TREASURY/OASIA/IMI; WHITE HOUSE; COMMERCE FOR DAS;
USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA;
COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 11

MINISTRY ON THE QUESTION OF THE BILATERAL SEMICONDUCTOR
ACCORD. JAPAN AND THE UNITED STATES EACH CONFIRMED ITS
CONVENTIONAL STANCE, BUT "NO PROGRESS WAS MADE IN
BREACHING THE GAP IN OUR VIEWPOINTS" (RESPONSIBLE U.S.
OFFICIAL). IN PARTICULAR, THE U.S. STRESSED, "WE SHOULD
SECURE AND CONTINUE THE MARKET-ENTRY CONDITIONS THAT
RESULTED UNDER THE CURRENT AGREEMENT," AND REQUESTED
MARKET MONITORING BY CONTINUING SHARE-SURVEYS. IN
RESPONSE, JAPAN REBUTTED, "MAKING THE CURRENT SHARE THE
FLOOR IS TANTAMOUNT TO SETTING A NUMERICAL TARGET." THE
GAP REMAINED WIDE. HARA, ACTING

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DIST:

SIT: KRISTOFF PRITCHARD SUETTINGER WISE

SIT: NSC

Cable

PREC: IMMEDIATE
CLASS: UNCLASSIFIED
LINE1: OAAUZYUW RUEHKO6424 1930915-UUUU--RHEHAAA.
LINE2: ZNR UUUUU ZZH
LINE3: O 110915Z JUL 96
LINE4: FM AMEMBASSY TOKYO
OSRI: RUEHKO
DTG: 110915Z JUL 96
ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 4798
INFO: RHEHAAA/WHITEHOUSE WASHDC IMMEDIATE
RUEKJCS/SECDEF WASHDC IMMEDIATE
RUCPDOG/USDOC WASHDC IMMEDIATE
RUEATRS/TREASURY DEPT WASHDC IMMEDIATE
RUEHIA/USIA WASHDC IMMEDIATE 0024
RUEAIIA/CIA WASHDC IMMEDIATE
RUEKJCS/DIA WASHDC IMMEDIATE
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RHHMUNA/USCINCPAC HONOLULU HI
RUEHKOS/AMCONSUL SAPPORO 7400
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RUESDJ/FBIS OKINAWA JA
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUCWAAB/FBIS RESTON VA
RUEHOK/AMCONSUL OSAKA KOBE 7442
RUHBBMA/AMCONSUL NAHA 4856
RUEHKON/AMCONSUL NAGOYA 8113
RUAYJAA/COMPATWING ONE KAMI SEYA JA
RUEHKOF/AMCONSUL FUKUOKA 0823
RUAGJHA/CGUSARJ CAMP ZAMA JA//IX CORPS G5//
SUBJ: JAPANESE DAILY PRESS SUMMARY 07/11/96
(PART 1)

TEXT:
UNCLAS SECTION 01 OF 09 TOKYO 006424

DEPT FOR E, P, PM, EB, EAP/J AND S/AL
USIA FOR MR AND REA
WHITE HOUSE FOR NSC ROTH
WHITE HOUSE FOR NEC CUTTER
TREASURY FOR OASIA/IMI/JAPAN
DEPT PASS USTR FOR SHAPIRO/WOLD
DEPT PASS ELECTRONICALLY TO USDA FAS/ITP FOR SCHROETER

E.O. 12356: N/A
TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 07/11/96
(PART 1)

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- (1) EDITORIAL: Concern about Japan's Current Surplus Losing Too Much Weight

ASAHI (Page 5) (Full)
July 9, 1996

It is all right to go on a diet to lose weight, but just to become thin is not good. Those who want to lose weight have to think about ways to gain physical strength as well, otherwise ...

This is not advice to "skinny" actresses. Japan's current account surplus is drastically dropping as is clear from the figure indicating that May saw a 46 percent drop over the same month in the preceding year. Some have even predicted that Japan will slip into a deficit before the end of this century.

It seems that we have entered an era when we have to aim at an economy that makes ends meet, instead of decreasing surpluses.

In recent years, Japan's colossal current account surplus has been a source of headaches for the world economy, with trouble breaking out here and there. However, it has begun to decrease after it peaked at 14.7 trillion yen in 1993. The surplus dropped to 10.4 trillion yen last year. The outlook is that if the pace recorded until May continues, it will contract to approximately 7 trillion yen (this year).

Against the backdrop of the burgeoning economic recovery, imports have begun to offset exports, putting a dent in trade surplus. In addition, a ballooning deficit in the balance of travel as a result of an overseas travel boom is contributing to the drop.

Imported goods ranging from foodstuffs to clothing and electric appliances are flooding supermarkets and department stores. Automobile dealers display

an array of "reverse-imported cars" manufactured at overseas plants of Japanese automakers. Mainstay products at personal computer stores are those that carry Japanese brand names but were, in fact, produced by manufacturers in Taiwan and the like on UNCLAS SECTION 02 OF 09 TOKYO 006424

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a consignment basis.

Furthermore, this trend is unlikely to change even if yen depreciation continues in the exchange market. That is because once companies switch their production bases abroad, it is no longer possible to pull them back to Japan even if the yen becomes weak, considering the costs needed to construct such plants.

Domestic circumstances are not the only reason for a drop in Japan's current surplus. As its economy has developed, Asia, centering on East Asia, has acquired capability to export low-priced quality industrial goods to the four corners of the world.

The dissemination of a market economy against the backdrop of the ending of the cold war has activated industries, making the most of abundant and cheap labor in China and East Europe. Those industries are now beginning to put the competitiveness of the products of industrialized countries in jeopardy.

Suppose the era of economic growth brought about by profits from exports has ended, can Japan become a credit powerhouse that can live on profits accruing from overseas investments?

Japan's foreign net assets rank first, standing at 77 trillion yen as of the end of last year. However, its income balance, such as return on investments, was only 4.2 trillion yen last year. It is not barely up to the standard that can cover the worsening current-accounts balance, including the balance of trade, services, such as travel, and income.

If the current account deficit is regularized, the value of the yen will drop, posing the possibility of rising prices. Deficits have to be covered by capital from abroad, which means that the people will have to produce profits for foreign investors.

In order to stave off such a situation from occurring, it is necessary to switch policy from one that aims at slashing surplus to eliminate economic friction to economic policies that aim at keeping currents balance in balance. In that sense, we have to foster companies that produce goods and services with high value-added and international competitiveness.

What is above all needed is a change in the industrial base, which is weakening the nation's competitiveness, such as government controls that are hampering free economic activities and high land prices which make it difficult to use land for plants and offices.

If Japan succeeds in reforming its base, it will open up the horizon for world-renowned companies full of creativity. Investments will flow into Japan from the world, which will widen employment opportunities, stabilizing in turn the value of the
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yen.

We think that it is essential to fill out an economic menu to dish out measures with high calories and low fat, aiming at building up a sturdy body.

(2) Hashimoto Administration "Absorbed in Work" for Past Half a Year; Leadership Capability Displayed on Diplomatic Stage, but Domestic Issues Put on Shelf One After Another

YOMIURI (Page 2) (Full)
July 11, 1996

A half year will have passed on August 11 since the

Hashimoto Administration came into office. Although it was much troubled about dealing with the failed jusen (housing loan companies) issue, which is called a "minus legacy" taken over from the Murayama Administration, "the Hashimoto Administration's own imprints" are now becoming visible with the sudden agreement reached (between Japan and the United States) on the complete reversion of Futenma Air Station and with the (Prime Minister's) success at the Lyon Summit (Group of Seven industrialized countries summit conference). In the coming months, the question is how to bring about satisfactory results in such major challenges as resolving the Okinawa bases issue and tackling administrative and fiscal reform, with an eye on the now likely dissolution of the Lower House and the general election that will follow. It appears that "high waves" are ahead for the "Hashimoto-helmed coalition boat."

(Takao Hishinuma of the Political Department)

Swamped with Tasks

"I have worked feverishly until now and will do so in the future. I was really surprised to see there is a lot more I have to tackle," the Prime Minister said to the press corps on July 9, looking back on the past half-year since he took office.

Amid his struggle in dealing with the jusen issue when his support rate was dropping, the Prime Minister prior to the Japan-U.S. summit set for April grappled with the problem of returning the entire Futenma Air Field. The Prime Minister himself held a series of secret negotiations with U.S. Ambassador to Japan Walter Mondale and in his effort scored a home run to pull the game out of the hole, as seen in a remark by a senior Foreign Ministry (MOFA) official: "Such a fruitful result in diplomacy is seen only once in a decade."

The Prime Minister's political technique, which is termed top-down management, is something which "conventional politicians who favor adjusting views first would never try" (government source). He also has received praise from abroad to the tune of: "His is a full-fledged administration that can get things done" (source connected to the U.S.).
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Government in Tokyo).

In fact, at the June Lyon Summit, Hashimoto was successful in having incorporated in the chair's statement a call on the Democratic People's Republic Korea (North Korea) to accept the four-party talks (North and South Korea, the U.S. and China) as was proposed by the U.S. and South Korea. He was able to demonstrate his diplomatic forte at a locale where the spotlight is on every leader.

Coalition Government on the Edge of Danger

In evaluating the Prime Minister, one person remarked: "He has been well trained politically and also has disciplined himself; he now resembles the late former prime minister Eisuke Sato" (senior member of the former Obuchi faction (of the Liberal Democratic Party)).

But another person has pointed out his weak political base: "Although former prime minister Sato had a lineup of capable members called the seven magistrates, regrettably Prime Minister Hashimoto does not have anybody" (Raizo Matsuno, former chairman of the LDP General Council).

In addition to the constraints imposed on his administration as a coalition government, another factor that cannot be overlooked is that each party is groping for an opportunity to show their own features, envisaging a general election. Regarding the "Hashimoto administrative reform vision," whose feature is to keep the national burden rate (that is calculated by adding up the tax burden and the insurance premium burden and then dividing the total by national income) to 45 - 50 percent, the Social Democratic Party (SDP) has voiced its objection to it, arguing, "Engaging in debate starting with the national burden rate falls short of the concept of drastic reform," and the party has announced its own vision. Discord like this is arising in the coalition government.

Besides, a mountain of tasks such as the Okinawa bases issue, a review of the guidelines for Japan-U.S. defense cooperation, reform of the Finance Ministry, a public nursing bill, and the problem of lifting the ban on holding companies are awaiting his settlement. Pointing at such a circumstance, some think there will be an impasse. For example, Takeshi Sasaki, a professor at Tokyo University,

notes: "His Cabinet has a tendency to put tasks on the shelf. The Prime Minister himself is capable in policy-making, but partly because of the base of his Administration that is formed by more than one party, the range in which he can display his ability is limited."

Former Prime Minister Sato as His Mentor

Another worry is that in the LDP, his own party, a feud is growing between veteran legislators aiming at an LDP-single-rule government and medium-ranking and junior legislators favoring the maintenance of UNCLAS SECTION 05 OF 09 TOKYO 006424

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the present framework of the coalition government consisting of the LDP, the SDP and the Sakigake Party.

For now, the focus is on how to treat special legislation pertaining to the problem of the forcible use of land by U.S. bases in Okinawa, but the SDP has made clear its opposition to such legislation, and if coordination in the ruling camp faces difficulties, that may trigger a dissolution of the Lower House.

Prime Minister Hashimoto has reiterated his emphasis is on policy and is less talkative of the political situation, but it is an open question "whether Prime Minister Hashimoto, a pupil of the late former prime minister Sato, whom Hashimoto respects as his mentor in politics, can successfully handle the Okinawa problem and open the road to a long-term administration" (senior LDP member).

(3) Difficult Coordination within LDP in Restudying Budget Request Ceilings; Construction-policy Clique Seeks Increase in Public Investment Outlays

SANKEI (Page 2) (Full)
July 11, 1996

The Liberal Democratic Party (LDP) yesterday started coordinating views in reviewing the FY1997 budget ceilings. It was necessary for the LDP to unify its assertions before the ruling parties' Fiscal Structure Reform Working Team (chaired by LDP Policy Board Chairman Taku Yamasaki) met on the 11th. Actually, however, the construction-policy clique (kensetsu-zoku) began calling for an increase in public investments, while other LDP Dietmembers, who favor administrative reform, insisted on the need for "a drastic review" of such expenditures. The leadership had a difficult time.

At a meeting of the Construction Working Group in the morning, hard-line opinions were raised in succession, such as, "Although there are those who insist on zero growth or a minus ceiling, such a view should be turned down." The group proposed to Yamasaki that "steady growth in public-works spending should be ensured."

On the other hand, Administrative Reform Promotion Headquarters Chief Kiyoshi Mizuno met with Yamasaki at the LDP Headquarters in the afternoon and pointed out that drastic reform in public works appropriations was mentioned in the "Hashimoto Administrative Reform Vision." He said, "In working out ceilings, administrative reform is needed in an effort to break away from vested interests and a status quo posture." He requested that growth in public works appropriations be frozen and that treatment of defense spending and official development assistance as exceptions be reconsidered.

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Within the ruling parties, the Social Democratic Party (SDP) and the Sakigake Party have been eager to set up a framework for placing emphasis on scientific research and development by constraining public works expenditures. At today's meeting of the ruling parties, how to handle public works spendings, which are said to affect whether to draw votes or not in the next general election, will the

focus.

(4) Post-Cold War "Multipolarization" and "Globalization": Japan Needs to Cooperate with U.S.; Interdependence Should Be Deepened

NIHON KEIZAI (Page 7) (Full)

July 8, 1996

A post-cold war, new world is now in sight at long last. It now appears to be moving in contradictory directions in terms of multipolarization and globalization. But it can be regarded also as the beginning of moves toward sharing the sense of values in terms of democracy and market-oriented economic principles. With the rise of China, Asia is now in a period of great tectonic movements. Meanwhile, Japan is urged to cooperate strategically with the United States. (Takeyuki Kumamura, Editorial Committee Member)

Ethnic and religious confrontation appears

The Lyon Summit, which raised the theme of "globalization" on its agenda, has now ended leaving the impression of an absence of global powers controlling the world. The U.S., which is supposed to have become "the only superpower" with the cold war ending, has not seized hegemony over the world. Ideological confrontation nowadays has ended, but conflict over ethnic and religious differences instead has become conspicuous.

Henry Kissinger, the former U.S. secretary of state, forecasts that the international system in the 21st century will be featured by "moves for breakup on the one hand and moves for globalization on the other" ("Diplomacy"). He predicts that the world in the post-cold war era would not be under any hegemonic power's single control, but instead it will be multipolarized, mainly revolving around six countries or regions -- the U.S., Europe, China, Japan, Russia, and India.

Particularly in Asia, the rise of China will greatly change the international environment. Kent Calder, a professor at Princeton University, notes in Crisis in Asia that China, which has now turned into an oil importer, would make it a primary national goal to secure energy resources in order to sustain its present-day high economic growth. The professor is concerned that such could become a destabilizing factor.

China is propelling an energy-saving policy in accordance with its 9th 5-year plan, but the country remains unable to catch up with its sharply
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increasing consumption of petroleum. In order to secure Middle East crude oil, China would approach Middle East countries with such measures as transferring its military technology, and would set about securing sealanes while building up its naval forces. If China claims the Spratly Islands and the Senkaku Islands and pushes forward to develop new resources, it will inevitably bring about friction with neighboring countries.

Meanwhile, however, economic globalization also is under way. Money markets, for instance, are already borderless. Various countries' industrial structures are now in the process of horizontal specialization. There is now also an international regime to deepen interdependence. With the start of the World Trade Organization (WTO), a trade dispute settlement system is now established. And, the Nuclear Non-Proliferation Treaty (NPT) for nuclear control is now extended indefinitely.

The 3 "spheres" of maturity

How should we see the two contradictory currents of multipolarization and globalization? In The New Middle Ages (Atarashii Chuusei), Akihiko Tanaka, an assistant professor at Tokyo University, tries to explain these tendencies with a concept of "spheres." He classifies the post cold-war world into three spheres according to the degree of maturity of democracy and market economy. In his view, the world is now at the stage of developing into an interdependent whole.

Democracy has now taken root in the world's seven advanced countries and in other countries belonging to the so-called "new medieval sphere." Market economies also have been established in those countries. Business activities are now being internationalized, and various countries are now becoming even more interdependent among themselves. If there is progress in interdependence, it will be hard to wage a war -- the ultimate means of settling disputes. Nowadays it is difficult to

distinguish international issues from domestic ones; this is a feature similar to the medieval ages of Europe.

China, Russia, and India are in the "modern-age sphere" whose democracy and market economy have yet to become mature. Those countries' domestic politics has a strong imprint of authoritarianism, and they behave with a plan for building up 'a rich country with a strong army' or under some other similar slogans. Such countries opt to adopt a classical pattern of behavior based on the idea of "the balance of power" like nation-states in the modern age.

Bosnia-Herzegovina and Somalia are in the "chaotic sphere" where order has collapsed. Such countries do not have their own national awareness, and their rule mechanism also is still underdeveloped as sovereign states. These countries are involved in "national cleansing" that rejects co-existence with UNCLAS SECTION 08 OF 09 TOKYO 006424

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other peoples, and see intertribal slaughter taking place. Eventually, such brings about a large number of refugees.

Japan and other countries in the "new medieval sphere" share a sense of values, and protecting it in the common interests. With the globalization of economies, friction will occur frequently. But an anti-market overpowering means to press for concessions while implying sanctions -- as in the case of the photofilm dispute between Japan and the U.S. -- will be exposed to international criticism. Disputes would be settled in the WTO or under other international regimes.

"Security" functions even more strategic

Countries in the "modern-age sphere" adopt a mode of behavior based on the theory of power. All the more for this reason, Japan cannot but give heed to the balance of power. As in the case of confrontation between the U.S. and China over the

issue of human rights, countries in the "new medieval sphere" may sometimes work on countries in the "modern-age sphere" to share a sense of values. Japan probably should urge the growth of countries in the "modern-age sphere" and then should embody them into the interdependent world.

In dealing with the "chaotic sphere," multilateral cooperation is effective. Multilateral assistance is indispensable to end civil wars in that sphere and help the people construct new states. United Nations peacekeeping operations (PKO) are now being whispered to have limits, but Japan will be requested to make contributions in its own way.

In any of those cases, Japan will inevitably have to cooperate with the U.S. Although the U.S. is now gradually becoming inward-looking, the U.S. is the international community's "leader." In the multipolarized world, Japan needs to cooperate with the U.S., which has the world's strongest military power, so as to positively remove uncertainties in the "modern-age sphere" and "chaotic sphere" surrounding Japan.

Partly in order to deepen the world's interdependence, it is vital to cooperate with the U.S. The globalization of economies, on the other hand, has an aspect of "Americanization" as seen in such areas as advanced technology. Among countries in the "new medieval sphere" that shares a sense of values, the U.S. -- the first country in the world to shape democracy and market economy -- will have to become the axis of interdependence.

The late professor at Kyoto University, Masataka Kosaka, stresses in his last article (written for a special issue of Gaiko Forum) that "the U.S. is the only ally of Japan and is situated at the center of Japan's international relations." We will have to create an environment in which the Japan-U.S. security treaty, which became a new symbol of bilateral cooperation in the Japan-U.S. Joint UNCLAS SECTION 09 OF 09 TOKYO 006424

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Declaration on Security issued in April this year,
will be made to function in an even more strategic
way for deepened interdependence.

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In addition, media reporting suggests there is substantial local opposition around Iwakuni Air Base to plans to move an air squadron there from Futenma Air Station on Okinawa. In a recent poll conducted by several local unions, 59.6 percent of area residents who were questioned stated that they oppose the transfer (Kyodo, 9 June). On 9 June, this opposition was openly expressed when 4,500 people, including members of local workers' unions, reportedly took part in a rally against the relocation (Kyodo, 9 June).

Continued Local Resistance

In some of these areas, judging from media reporting, local opposition may prove difficult to overcome and Tokyo's overtures may have little success. For example, in Oita Prefecture, on 7 July, two days after government sources told the press that Tokyo was considering rotating the live-fire exercises among five locations, 16,000 people from three towns demonstrated against the proposed rotation plan. According to a Kyodo report that day, a group in Shizuoka Prefecture opposed to the adoption of the rotation program there sent a "message of solidarity" to the Oita rally, suggesting that the proposed rotation program is also unpopular in some of the other proposed sites.

Support for Relocation

Despite this widespread opposition, Japanese media reporting suggests that interest groups in some of the areas under consideration as transfer sites may be receptive to Tokyo's appeals. In the area around Iwakuni Air Base, for example, local

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businessmen reportedly support the relocation of the Futenma air squadron because they believe that the construction that will accompany the move will benefit the local economy. According to the 13 May Tokyo Shimbun, an advisor to the local chamber of commerce and industry told the paper that the chamber has decided not to take part in campaigns against the relocation because it thinks the relocation may expedite a project to move the Iwakuni airstrip closer to the sea. The resulting construction, he said, could bring 350 million yen in business to the city, help increase employment, and "revitalize the economy" of Iwakuni.

In addition, in some areas, comments by local officials over the past two months have suggested that they may be flexible in dealing with the transfers. For example, after meeting with Defense Agency Director General Usui on 5 June, the governor of Miyagi Prefecture, while expressing opposition to the transfer of live-fire exercises to his prefecture, added that he needed "more information" about the nature of the transfer plans (Kyodo, 5 June). Earlier, Yamaguchi Prefecture Governor Toru Hirai and Iwakuni Mayor Yoshimitsu Kifune appeared to back away from their initial opposition to the transfer of the air squadron after a series of meetings with Japanese Government leaders on the issue. According to the 2 May Nihon Keizai Shimbun, following a 30 April meeting during which Prime Minister Ryutaro Hashimoto promised that the transfer would not lead to a "reinforcement" of Iwakuni, the mayor told the press that he would be willing to "deal with the matter" if he becomes "convinced that the transfer will not lead to the expansion of Iwakuni Base's functions." Similarly, after a 2 May meeting with Defense Agency Director General Usui, the governor told the press that the issue would "resolve itself" if measures could be taken to "convince" local residents that the base would not be built up (Nihon Keizai Shimbun, 3 May).

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