

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	Re: Okinawa Envoy (5 pages)	07/24/1996	P1/b(1)
002. cable	Re: Japan-U.S. / Security Relationship (3 pages)	07/24/1996	P1/b(1)
003. cable	Re: July 17-18 Tokyo Visit (7 pages)	07/29/1996	P1/b(1)
004. cable	Re: Support Cable for East Asia Brief (4 pages)	08/01/1996	P1/b(1)
005. cable	Re: Okinawa Notes, July 31, 1996 (4 pages)	08/02/1996	P1/b(1)
006. cable	Re: Discussion on August 2, 1996 (4 pages)	08/06/1996	P1/b(1)
007. cable	Re: Meetings with Japanese Politicians (9 pages)	08/06/1996	P1/b(1)
008. cable	Re: Okinawa Base Issues: Tokyo Visit (11 pages)	08/07/1996	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[07/24/1996 - 08/07/1996]

2016-0420-F
sb1876

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]

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Cable

PREC: IMMEDIATE
CLASS: UNCLASSIFIED
LINE1: OAAUZYUW RUEHKO6856 2070157-UUUU--RHEHAAA.
LINE2: ZNR UUUUU ZZH
LINE3: O 250157Z JUL 96
LINE4: FM AMEMBASSY TOKYO
OSRI: RUEHKO
DTG: 250157Z JUL 96
ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 5286
RUEHIA/USIA WASHDC IMMEDIATE 0239
INFO: RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RUEKJCS/SECDEF WASHDC
RHEHAAA/WHITE HOUSE WASHDC
RUEHRC/USDA FAS WASHDC 2448
RUCPDOG/USDOC WASHDC
RUAYJAA/COMPATWING ONE KAMI SEYA JA
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RUEAIIA/CIA WASHDC
RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RUEKJCS/JOINT STAFF WASHDC//J5//
RUEBBEA/USDOT WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JULY 25

TEXT:
UNCLAS SECTION 01 OF 08 TOKYO 006856

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; USDA;
USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA;
COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 25

TOP HEADLINES:

ASAHI: U.S. SECRETARY OF STATE TO VISIT CHINA IN
NOVEMBER; CHINESE LEADER, TOO, EXPECTED TO VISIT THE U.S.
WITHIN THE YEAR; ROAD PAVED IN FOREIGN MINISTERIAL FOR
HIGH-LEVEL VISITS

NIHON KEIZAI: PRICES OF INDUSTRIAL MATERIALS NOW LIKELY
TO BE RAISED; DUE TO IMPROVEMENT IN SUPPLY-DEMAND
CONDITION WITH ECONOMIC RECOVERY; MATERIALS-RELATED

DEFLATION LIKELY TO END

TOKYO SHIMBUN: EVERY EFFORT URGED TO TRACK DOWN THE SOURCE OF INFECTION; PRIME MINISTER GIVES EMERGENCY INSTRUCTIONS IN DEALING WITH O-157 STRAIN OF E. COLI. BACTERIA

MAINICHI: 13-YEAR-OLD GIRL HAD DIED IN MAY OF THE FOOD-POISONING FROM O-157 OF E. COLI. BACTERIA IN HYOGO

YOMIURI: SET OF EMERGENCY MEASURES AGAINST SPREAD OF FOOD-POISONING FROM O-157 OF E. COLI. BACTERIA; TO CARRY OUT EXAMINATION OF THE STOOLS FREE OF CHARGE; GOVERNMENT TO INVESTIGATE SCHOOL MEALS, TOO; CABINET MEETING SET TOMORROW

SANKEI: O-157 BACTERIA: "MORE SERIOUS THAN SIMPLE FOOD-POISONING"; GOVERNMENT TO WORK TOGETHER TO PREVENT FURTHER SPREAD OF FOOD-POISONING; PRIME MINISTER ISSUES STATEMENT IN AN UNUSUAL EMERGENCY CABINET MEETING

U.S., JAPAN REACH AGREEMENT ON F-2 PRODUCTION WITH U.S. TAKING 40 PERCENT SHARE (SANKEI - PAGE 1)

THE JAPANESE AND U.S. GOVERNMENTS BASICALLY AGREED ON JULY 24 ON A MEMORANDUM OF UNDERSTANDING (MOU) FOR THE MASS PRODUCTION OF F-2 FIGHTER SUPPORT PLANES CO-DEVELOPED BY THE TWO COUNTRIES FOR THE AIR SELF-DEFENSE FORCE, STARTING IN THE CURRENT FISCAL YEAR. THE FOCUS HAD BEEN ON THE RESPECTIVE WORK SHARES OF JAPAN AND THE U.S., BUT THE MOU'S WORDING, FOLLOWING THE TWO COUNTRIES' AGREEMENT AT THE STAGE OF DEVELOPMENT, WILL NOW BE SETTLED WITH THE EXPRESSION: "IT IS OUR UNDERSTANDING THAT THE U.S. SIDE'S WORK SHARE WILL REACH APPROXIMATELY 40 PERCENT." THE TWO GOVERNMENTS ARE EXPECTED TO EXCHANGE NOTES AND CONCLUDE AN MOU ON JULY 30 AT THE EARLIEST TO START MASS PRODUCTION.

THE F-2 (INITIALLY CODE-NAMED THE FSX AT THE STAGE OF DEVELOPMENT) WAS THE FIRST JOINT DEVELOPMENT PROJECT CASE OF JAPAN AND THE U.S. THE TWO COUNTRIES STARTED THEIR JOINT DEVELOPMENT IN 1989, BUT THE U.S. CONGRESS WAS CONCERNED ABOUT THE POSSIBLE DRAIN OF TECHNICAL KNOW-HOW FOR FIGHTER AIRCRAFT PRODUCTION. SO, THE TWO COUNTRIES AGREED TO SET THE U.S. SIDE'S WORK SHARE AT ABOUT 40 PERCENT.

AFTER THE PROTOTYPE FSX PLANE WAS COMPLETED IN THE FACTORY LAST YEAR, THE TWO GOVERNMENTS ENTERED INTO NEGOTIATIONS IN MAY THIS YEAR TO CONCLUDE AN MOU FOR MASS PRODUCTION. THE U.S. SIDE RECENTLY URGED THE JAPANESE SIDE TO REVIEW THE TWO COUNTRIES' RESPECTIVE WORK SHARES ALREADY SET PARTIALLY FOR EACH OF THE PARTS DESIGNED TO BE USED FOR THE FSX, CLAIMING THAT THE HIGH-YEN TREND IN RECENT YEARS HAS NOW MADE IT DIFFICULT FOR THE U.S. SIDE TO SECURE ITS WORK SHARE INITIALLY SET AT THE STAGE OF DEVELOPMENT. THE BILATERAL NEGOTIATIONS EVENTUALLY BOGGED DOWN.

HOWEVER, THE TWO GOVERNMENTS HAVE NOW AGREED TO RUSH TO A CONCLUSION OF AN MOU BECAUSE A CONTRACT BETWEEN JAPANESE AND U.S. ENTERPRISES WILL HAVE TO BE REPORTED TO THE U.S. CONGRESS FOR ITS APPROVAL SO AS TO START MASS PRODUCTION UNCLAS SECTION 02 OF 08 TOKYO 006856

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; USDA; USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 25

IN THE CURRENT FISCAL YEAR.

THE U.S. SIDE ALSO CAME TO ACCEPT THE JAPANESE SIDE'S EXPLANATION THAT A WORK SHARE OF APPROXIMATELY 40 PERCENT WOULD BE ENSURED (FOR THE U.S. SIDE) THROUGH SUCH STEPS AS PROCURING F-2 COMPONENTS. THE TWO GOVERNMENTS THEN MANAGED TO REACH AN AGREEMENT.

HOWEVER, THE TWO GOVERNMENTS HAVE NOT REVEALED THEIR CONCLUSION OVER THE ISSUE OF FINALIZING WORK SHARES PERTAINING TO EACH OF THE F-2 PARTS. THIS WILL POSSIBLY TURN INTO A PROBLEM WHEN THE TWO COUNTRIES' ENTERPRISES MAKE CONTRACTS.

ADDITIONALLY, BOTH SIDES HAVE ALSO AGREED TO HAVE THE MOU INCORPORATE SOME OTHER POINTS, INCLUDING: (1) THE F-2 SHALL BE USED BY THE JAPANESE GOVERNMENT ONLY; AND (2) JAPANESE ENTERPRISES SHALL PRODUCE A PORTION OF THE ENGINE UNDER LICENSE.

FINANCE MINISTER KUBO SAYS DEFENSE SPENDING TO BE CONSTRAINED (NIHON KEIZAI - PAGE 5)

REFERRING IN A PRESS BRIEFING YESTERDAY TO THE HANDLING OF THE CEILING TO BE SET FOR DEFENSE EXPENDITURES IN THE FISCAL 1997 BUDGET, FINANCE MINISTER WATARU KUBO REVEALED THE POLICY APPROACH OF STRICTLY HOLDING DOWN DEFENSE SPENDING, INCLUDING OBLIGATORY PAYMENTS DEFERRED TO FUTURE FISCAL YEARS AND PERSONNEL EXPENSES, WHICH, ACCORDING TO THE DEFENSE AGENCY (JDA), ARE BOUND TO INCREASE. HE REMARKED, "THE JDA'S CLAIM THAT IT IS IN NEED OF SUCH AND SUCH -- AND THESE ARE THE FACTORS PUSHING UP DEFENSE EXPENDITURES -- IS NOT IN LINE WITH THE BUDGET COMPILATION POLICY OF THE GOVERNMENT AND THE RULING PARTIES, (WHICH ARE DETERMINED TO SHRINK IN PRINCIPLE THE FISCAL 1997 STATE BUDGET, WITHOUT SETTING UP SANCTUARY AREAS)."

ON DEFENSE SPENDING, WHEREAS THE JDA AND THE LIBERAL DEMOCRATIC PARTY (LDP) HAVE ASKED FOR ABOUT 4.5 PERCENT INCREASE, MOF AND THE SOCIAL DEMOCRATIC PARTY (SDP) ARE CALLING FOR CURBING ITS GROWTH TO JUST ABOVE THE 2 PERCENT LEVEL. FINANCE MINISTER KUBO UNDERScoreD THAT DEFENSE SPENDING SHOULD BE KEPT IN CHECK IN VIEW OF THE WORLD TREND FOR DISARMAMENT, NOTING, "(THE THREE RULING PARTIES) HAVE AGREED (TO PROMOTE) WORLD PEACE AND DISARMAMENT. IT IS OUR DUTY TO MAKE EFFORTS ALONG THAT LINE."

TANGLED MOTIVES OF LDP AND SDP ON DEFENSE AND ODA BUDGET GROWTH (MAINICHI - PAGE 11)

NEGOTIATIONS ARE NOW UNDERWAY IN THE GOVERNMENT OVER A CEILING FOR THE FY1997 DEFENSE BUDGET BETWEEN THE JAPAN DEFENSE AGENCY (JDA), WHICH HAS CALLED FOR A 4.5 PERCENT HIKE FROM THE PREVIOUS YEAR, AND THE MINISTRY OF FINANCE (MOF), WHICH WANTS TO CURB AN INCREASE TO THE FIRST HALF OF THE 2 PERCENT LEVEL. THE MOF IS LOOKING INTO MEASURES TO PUT OFF PAYMENTS OF SOME PORTION (ANNUAL EXPENDITURES) FOR FRONT-LINE EQUIPMENT ALREADY CONCLUDED INCREASES TO FY1998 AND AFTER. BUT THE JDA AND DEFENSE POLICY-RELATED LIBERAL DEMOCRATIC PARTY (LDP) OFFICIALS HAVE FIERCELY REACTED TO THE MOF PLAN. DIFFICULT COORDINATION LIES AHEAD.

THE SOCIAL DEMOCRATIC PARTY (SDP), WHILE INSISTING ON SLASHING THE DEFENSE BUDGET, HAS CALLED FOR SETTING THE BUDGET GROWTH RATE OF OFFICIAL DEVELOPMENT ASSISTANCE (ODA), WHICH IS REGARDED AS A SYMBOL FOR PEACE DIPLOMACY, OVER THAT OF DEFENSE SPENDING. THE MOF, GIVEN THE CURRENT CRITICAL FINANCIAL SITUATION, HOPES TO TRIM BOTH THE DEFENSE AND ODA BUDGETS BUT IS BEING PRESSURED BY BOTH SIDES.

UNCLAS SECTION 03 OF 08 TOKYO 006856

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; USDA; USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 25

THE MOF IS TRYING TO CURB AN INCREASE IN THE DEFENSE BUDGET TO BELOW THE 2.9 PERCENT IN THE FY1996 BUDGET CEILINGS, ON THE GROUNDS THAT THE NEW MEDIUM-TERM DEFENSE POWER CONSOLIDATION PLAN COVERING A 1996 - 2000 PERIOD SETS THE AVERAGE GROWTH RATE IN THE FIVE YEARS AT 2.1 PERCENT.

YET, IF MANDATORY EXPENSES SUCH AS EXPENSES FOR PAYING INSTALLMENTS FOR FRONT-LINE EQUIPMENT AND LABOR COSTS ARE AUTOMATICALLY ADDED, THE INCREASE RATE COMES TO 3.9 PERCENT. SO, THE MOF IS CONSIDERING A MEASURE TO DEFER THE PAYMENTS OF INSTALLMENTS. BECAUSE LARGE-SIZE FRONT-LINE EQUIPMENT, SUCH AS NAVAL SHIPS AND AIRCRAFT, IS PURCHASED ON A TWO TO FIVE YEAR-INSTALLMENT-BASE PAYMENT, PAYMENTS ARE DEFERRED TO THE SECOND YEAR AND LATER AFTER THEY ARE PURCHASED. IN THE FY1997, THE BURDEN IS HEAVY FOR PAYMENTS FOR AIRBORNE WARNING AND CONTROL SYSTEM (AWACS) PLANES, WHICH WAS APPROVED IN THE FY1994 BUDGET.

SINCE IT IS DIFFICULT TO EXTEND A PAYMENT PERIOD, THE MOF HOPES TO CARRY THE PORTION WHOSE PAYMENT WILL NOT BE COMPLETED IN FY1997, OVER TO FY1998 AND LATER. A SENIOR OFFICIAL OF THE BUDGET BUREAU EXPLAINED, "THE BURDEN OF DEFERRED PAYMENTS WILL BECOME LIGHTER IN FY1998 AND AFTER. THE BURDEN NEEDS TO BE AVERAGED OUT." (KAZUO OTAKA)

SDP AND SAKIGAKE PARTY AGAINST SETTING DEFENSE GROWTH AT 4.5 PERCENT (ASAHI - PAGE 2)

DISCORD IN THE RULING COALITION HAS BECOME EVIDENT OVER THE HANDLING OF DEFENSE OUTLAYS, ONE OF THE KEY ELEMENTS IN DETERMINING FY1997 BUDGETARY STANDARDS (CEILINGS). AS AGAINST THE LIBERAL DEMOCRATIC PARTY'S (LDP) POLICY DIRECTION TO SUPPORT THE JAPAN DEFENSE AGENCY'S (JDA) FIGURE OF 4.5 PERCENT GROWTH, THE SOCIAL DEMOCRATIC PARTY (SDP) AND THE SAKIGAKE PARTY ARE CALLING FOR A LARGE-SCALE REDUCTION, CITING THE SEVERE FISCAL CONDITION. AS FAR AS THE SDP AND THE SAKIGAKE PARTY ARE CONCERNED, ONE OF THE REASONS FOR THEM TO ANTAGONIZE THE LDP IS TO GENERATE A "DISARMAMENT-ORIENTED" MESSAGE TO DIFFERENTIATE THEMSELVES FROM THAT PARTY, WITH THEIR EYES ON THE NEXT ELECTION.

THE JDA'S BUDGETARY REQUEST AMOUNTS TO 220 BILLION YEN, UP 4.5 PERCENT FROM THE PREVIOUS YEAR: 70 BILLION YEN WOULD GO FOR PERSONNEL AND FOOD EXPENSES; 120 BILLION YEN WOULD BE FOR ANNUAL EXPENSES FOR FRONT-LINE EQUIPMENT, SUCH AS AIRBORNE WARNING AND CONTROL SYSTEM (AWACS); AND 30 BILLION YEN WOULD BE FOR GENERAL EXPENSES, INCLUDING TRAINING AND BASE COUNTERMEASURES EXPENSES.

YESTERDAY, THE THREE RULING PARTIES HELD A DEFENSE COORDINATION MEETING TO DISCUSS THE JDA'S BUDGETARY REQUEST. IN IT, THE LDP PROMISED: "WE ARE GOING TO DO EVERYTHING TO SECURE THE BUDGET, INCLUDING THE TRAINING EXPENSES, AS REQUESTED. WE ARE GOING TO APPROVE THE 4.5 PERCENT INCREASE." THE LDP LEADERSHIP ALSO SHOWED UNDERSTANDING TOWARD THE JDA, PERCEIVING, "MOST OF THOSE EXPENSES INVOLVE NATURAL INCREASES. SO IT CANNOT BE HELPED" (POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN TAKU YAMASAKI).

THE SDP ARGUED OTHERWISE: "4.5 PERCENT IS NOT NECESSARY. WE CAN CONSTRAIN THE GROWTH TO ZERO IF WE CANCEL THE

AWACS AND STOP HIRING NEW SDF PERSONNEL FOR THREE YEARS" (SHUN OOIDE). THE SAKIGAKE PARTY ALSO OPPOSED THE LDP: "IN ORDER TO ACT IN CONFORMITY WITH THE MEDIUM-TERM NATIONAL DEFENSE PROGRAM OUTLINE WHICH CALLS FOR A 2.1 PERCENT GROWTH, WE SHOULD AIM AT 2.1 PERCENT" (SEIJI MAEHARA).

UNCLAS SECTION 04 OF 08 TOKYO 006856

USIA

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E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 25

LATER YESTERDAY, SDP SECRETARY GENERAL KANJU SATO STATED IN A PRESS MEETING: "NOW THAT THE THREE RULING PARTIES HAVE CHARACTERIZED FY1997 'THE INITIAL YEAR FOR FISCAL STRUCTURAL REFORM,' WE SHOULD DO OUR BEST TO CORRECT THE RIGID DEFENSE-SPENDING SYSTEM." SOME IN THE SDP ARE COMPLAINING, "WE HAVE ALREADY APPROVED THE PLAN TO RAISE THE CONSUMPTION TAX TO FIVE PERCENT. GIVING IN TO THE LDP ON DEFENSE SPENDING WOULD PUT US AN EVEN TOUGHER SITUATION GOING INTO THE NEXT ELECTION" (SENIOR MEMBER).

IN ADDITION, REGARDING THE COST OF CONSOLIDATION AND REDUCTION OF THE U.S. OKINAWA BASES, THE LDP AND THE SAKIGAKE PARTY ARE CALLING FOR SETTING A "DIFFERENT FRAMEWORK" TO HANDLE THE EXPENSES. BUT THE SDP IS AGAINST SUCH A PLAN, REASONING, "HOW COULD BE APPROVE A 'DIFFERENT FRAMEWORK PLAN' WHEN WE STILL DON'T KNOW HOW MUCH THE PROJECT WILL COST."

SDP AND SAKIGAKE WANT ODA GROWTH TO DROP BELOW LAST YEARQS (MAINICHI - PAGE 11)

SOCIAL DEMOCRATIC PARTY (SDP) SECRETARY GENERAL KANJU SATO AND SAKIGAKE PARTY LEADER YUKIO HATOYAMA HELD A PERIODIC MEETING LAST NIGHT, AND CONFIRMED THAT A YEAR-ON-YEAR INCREASE FOR OFFICIAL DEVELOPMENT ASSISTANCE (ODA) EXPENDITURES BE SET AT A MINUS LEVEL IN FY1997.

RICE LIBERALIZATION: 410,000 TONS IMPORTED BUT ONLY 50,000 TONS SOLD (TOKYO SHIMBUN - PAGE 8)

WHETHER TO LIBERALIZE THE JAPANESE RICE MARKET AT ONE TIME DIVIDED PUBLIC OPINION, BUT ONE YEAR HAS ALREADY PASSED SINCE RICE BEGAN TO BE IMPORTED FROM OTHER COUNTRIES. OF APPROXIMATELY 410,000 TONS OF IMPORTED RICE, EXCEPT FOR A LITTLE MORE THAN 50,000 TONS OF RICE, MOST REMAINS UNSOLD. AS FOR THIS FISCAL YEAR, THE

DECISION HAS ALREADY BEEN MADE TO IMPORT RICE AT 510,000 TONS. BUT THE QUESTION OF HOW TO SELL SUCH IMPORTED RICE IS A MAJOR HEADACHE FOR THE FOOD AGENCY WHICH IS IN CHARGE OF IMPORTING RICE.

IN JULY 1995, JAPAN BEGAN TO IMPORT RICE IN RESPONSE TO THE CONCLUSION OF THE URUGUAY ROUND (MULTILATERAL TRADE NEGOTIATIONS). DURING THE FIRST FISCAL YEAR FOR RICE IMPORTS, 409,000 TONS OF RICE WAS IMPORTED.

THESE RICE IMPORTS ARE DIFFERENT FROM THE EMERGENCY IMPORTS OF RICE USED TO DEAL WITH A SHORTAGE OF RICE BECAUSE OF COLD-WEATHER DAMAGE IN 1993. AT THE TIME OF SUCH EMERGENCY IMPORTS, ABOUT 2,540,000 TONS OR SO OF RICE WAS IMPORTED DURING 10 MONTHS FROM 1993 TO 1994.

THE PLANNED RICE IMPORTS THIS TIME WILL BE CATEGORIZED AS FOLLOWS: ONE IS "GENERAL IMPORTED RICE" WHICH AFTER SETTING IMPORT QUOTAS OF RICE BY RICE-PRODUCING COUNTRY, THE FOOD AGENCY WILL BUY RICE FROM TRADING HOUSES THROUGH BIDDING; AND THE OTHER IS RICE THAT WILL BE IMPORTED UNDER THE SIMULTANEOUS BUYING AND SELLING TENDER SYSTEM (SBS), UNDER WHICH TRADING HOUSES AND WHOLESALERS CAN FREELY CHOOSE RICE TO BUY BY RICE-PRODUCING COUNTRY AND KINDS OF RICE.

MOST OF IMPORTED RICE IS ACCOUNTED FOR BY GENERAL IMPORTED RICE. ACCORDING TO CONTRACTS ON IMPORTS OF RICE IN THE FIRST YEAR OF RICE IMPORTS, 398,100 TONS OF RICE WAS IMPORTED AS GENERAL IMPORTED RICE. IMPORTS FROM THE UNITED STATES -- 188,000 TONS -- OCCUPIED NEARLY 50 PERCENT OF THE WHOLE, FOLLOWED BY THAILAND'S 95,000 TONS, AUSTRALIA'S 85,000 TONS AND CHINA'S 30,000 TONS.

RICE IMPORTED UNDER SBS WAS ALMOST SOLD OUT

THE AMOUNT OF RICE IMPORTED UNDER THE SBS WAS ONLY 10,690
UNCLAS SECTION 05 OF 08 TOKYO 006856

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; USDA;
USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA;
COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 25

TONS. OF IT, RICE PRODUCED IN THE U.S. AND AUSTRALIA
ACCOUNTED FOR 60 PERCENT OF THE TOTAL. SUCH RICE IS ALL
CATEGORIZED INTO HIGH-QUALITY AND BRAND-NAME RICE GROUPS,
SUCH AS "KOKUHO ROSE," AMONG FOREIGN RICE. IN THE FIRST
BIDDING HELD IN JULY 1995, SUCH RICE WAS KNOCKED DOWN TO
BIDDERS WHO OFFERED HIGH CONTRACT PRICES. IN THE SECOND

BIDDING HELD IN LAST DECEMBER, THE VOLUME OF IMPORTING SUCH RICE WAS EXPANDED.

THESE KINDS OF RICE, TOGETHER WITH DOMESTIC-PRODUCED RICE, WERE PUT ON SALE IN RETAIL STORES, SUCH AS SUPERMARKETS. FOR EXAMPLE, DAIEI, A MAJOR SUPERMARKET OPERATOR, BOUGHT 500,000 TONS OF AUSTRALIA-PRODUCED RICE AND SOLD IT AT THE PRICE OF 860 YEN FOR TWO KILOGRAMS. THAT PRICE IS ALMOST THE SAME AS THAT OF KOSHIHIKARI RICE ON AVERAGE (ABOUT 4,500 YEN FOR 10 KILOGRAMS).

"PARTLY BECAUSE THIS WAS THE FIRST FULL-SCALE SALE OF IMPORTED RICE, MASS MEDIA GAVE COVERAGE OF THAT RICE, SO THE RICE WAS WELL-KNOWN AND SOLD WELL" (DAIEI'S PUBLIC RELATIONS OFFICE). THEN, THE COMPANY BOUGHT 4.2 TONS OF U.S.-PRODUCED RICE (870 YEN FOR TWO KILOGRAMS) AND IN MARCH THIS YEAR, PURCHASED 49 TONS OF AUSTRALIAN-PRODUCED RICE (3,280 FOR 10 KILOGRAMS), AND IT SOLD THEM OUT. BUT "(CONSUMERS) WERE NOT VERY MUCH ENTHUSIASTIC ABOUT THEM" (SAME).

THE COMPANY'S PUBLIC RELATIONS OFFICE ADMITS THE PRICES WERE HIGHER, NOTING, "CONSUMERS MIGHT HAVE BEEN SATISFIED WITH TASTE, BUT WERE NOT NECESSARILY CONTENTED WITH THE PRICES."

THAT COMPANY DOES NOT HANDLE THAI-RICE, THOUGH AT THE TIME OF EMERGENCY IMPORTS, EVERYONE WAS BAFFLED ABOUT HOW TO COOK THAI-PRODUCED LONG-GRAIN RICE.

AS FOR THE REASON WHY DAIEI DOES NOT HANDLE THAI-RICE, ITS PUBLIC RELATIONS OFFICE SAYS, "IT IS BECAUSE WE HAVE CHOSEN MID-SIZED GRAIN RICE THAT IS CLOSER TO JAPANESE RICE." ANOTHER SUPERMARKET OPERATOR, ITOYOKADO REMARKS: "AS WAS SEEN FROM THE CIRCUMSTANCES WHEN SUCH RICE WAS IMPORTED AS AN EMERGENCY MEASURE, COOKING METHODS ARE LIMITED FOR SUCH RICE. SO WE CONCLUDED SUCH RICE WOULD NOT SELL WELL IN TERMS OF QUANTITIES." IN SHORT, BOTH COMPANIES HAVE THOUGHT SUCH RICE WOULD NOT SELL WELL.

RICE IMPORTED UNDER THE SBS SYSTEM HAS BEEN ALMOST SOLD OUT. BUT COMPARED WITH SUCH RICE, GENERAL IMPORTED RICE IS IN A MISERABLE CONDITION.

OF ABOUT 400,000 TONS OF IMPORTED RICE, 100,000 TONS ARE FOR STOCKPILES, SO THE AMOUNT OF RICE TO BE PUT ON SALE TOTALS 300,000 TONS. OF THAT AMOUNT, ONLY 40,000 TONS WERE SOLD. SEVERAL THOUSANDS OF RICE ARE FOR STAPLE FOOD, AND ABOUT 30,000 TONS ARE FOR PROCESSING.

WHY IS OTHER RICE NOT IN GREAT DEMAND?

GOOD HARVEST AND PREFERENCE FOR SHORT-GRAIN RICE

AS REASONS, THE FOOD AGENCY'S OPERATION AND DISTRIBUTION DIVISION GIVES THE JAPANESE PEOPLE'S STRONG PREFERENCE FOR "SHORT-GRAIN RICE," BESIDES AN ABUNDANT CROP OF DOMESTIC RICE, REMARKING: "WE HAVE PLENTY OF DOMESTIC-

PRODUCED RICE. IN ADDITION, WHOLESALERS COMPLAIN THAT MOST OF FOREIGN RICE IS LONGER GRAIN THAN DOMESTIC RICE, SO IT IS HARD TO SELL IT. EVEN AMERICAN RICE AND AUSTRALIAN RICE ARE LONGER GRAINS THAN JAPAN'S."

THE IMPORT VOLUME FOR FY1996 HAS BEEN ALREADY SET, AND BIDDING WILL TAKE PLACE BY THE END OF THIS WEEK.

THE FOOD AGENCY HOWEVER APPEARS TROUBLED ABOUT HOW TO UNCLAS SECTION 06 OF 08 TOKYO 006856

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; USDA; USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 25

HANDLE IMPORTED RICE, REMARKING: "WE ARE DOING OUR BEST TO SELL IT. IF ANY REQUEST FOR (FOOD) AID COMES, WE WILL BE HAPPY TO ACCEPT IT."

U.S., JAPAN CONFIRM COOPERATION TO REVISE DEFENSE COOPERATION GUIDELINES (ASAHI - PAGE 2)

(JAKARTA, JULY 24, YUJI KANEMOTO) FOREIGN MINISTER YUKIHIKO IKEDA HELD A MEETING WITH UNITED STATES SECRETARY OF STATE CHRISTOPHER IN JAKARTA YESTERDAY. IN REFERENCE TO THE ISSUE OF REVIEWING THE "GUIDELINES FOR JAPAN-U.S. DEFENSE COOPERATION," WHICH THE TWO COUNTRIES HAVE BEEN WORKING ON, SECRETARY OF STATE CHRISTOPHER STATED: "JAPAN-U.S. COOPERATION IS NOT A THREAT TO ANYONE IN THIS REGION." HIS REMARK SUGGESTED THAT GROWING BILATERAL DEFENSE COOPERATION IS NOT AIMED AGAINST ANY SPECIFIC COUNTRY, LIKE CHINA.

THE TWO LEADERS ALSO REAFFIRMED EACH OTHER'S COMMITMENT TO THE BASE REDUCTION ISSUE, WITH EMPHASIS ON THE PROJECT TO RELOCATE THE HELIPORT IN FUTENMA AIR STATION. FOREIGN MINISTER IKEDA NOTED: "IT IS IMPORTANT FOR THE JAPAN-U.S. ACTION COMMITTEE (SACO) TO PRODUCE A GOOD FINAL REPORT." IN RESPONSE, SECRETARY CHRISTOPHER STATED, "WE MUST CONTINUE TO WORK HARD WHILE KEEPING THE MOMENTUM WE ACHIEVED WHEN WE REACHED AGREEMENT IN APRIL TO RETURN FUTENMA TO JAPAN."

U.S., JAPAN CONFIRM NEED TO RESOLVE SEMICONDUCTORS AND INSURANCE BY END OF MONTH (NIHON KEIZAI - PAGE 1)

(JAKARTA, JULY 24, ATSUSHI IJUIN) FOREIGN MINISTER YUKIHIKO IKEDA AND U.S. SECRETARY OF STATE CHRISTOPHER HELD A 30-MINUTE MEETING IN JAKARTA ON THE MORNING OF THE

24TH (JAPAN TIME, NOON OF THE SAME DAY). COMMENTING ON BILATERAL NEGOTIATIONS ON MICROCHIPS AND INSURANCE, THE FOREIGN MINISTER STRESSED: "JAPAN AND THE U.S. NEED TO PUSH AHEAD WITH NEGOTIATIONS BASED ON A SPIRIT OF CONCESSION." THE SECRETARY ALSO REAFFIRM THE NEED TO RESOLVE THE ISSUES BY THE END OF JULY AS AGREED UPON AT THE JAPAN-U.S. SUMMIT MEETING. HE STATED, "IT IS ESSENTIAL FOR BOTH SIDES TO FIND COMMON GROUND."

THE SECRETARY, COMMENTING ON THE ISSUE OF CONSOLIDATING AND DOWNSIZING U.S. MILITARY BASES ON OKINAWA, REVEALED CONCERN ABOUT A POSSIBLE DELAY ON THE JAPANESE SIDE IN SELECTING AN ALTERNATIVE SITE FOR THE HELIPORT AT FUTENMA BASE AFTER IT IS REVERTED TO JAPAN. THE FOREIGN MINISTER REMARKED, "IT IS ESSENTIAL FOR THE JAPAN-U.S. SPECIAL ACTION COMMITTEE ON OKINAWA (SACO) TO COME UP WITH A FINAL REPORT WITH AS GOOD A CONTENTS AS POSSIBLE." BOTH SIDES PLEDGED TO MAINTAIN CLOSE COOPERATION FOR COMPILING A FINAL REPORT IN NOVEMBER.

PRIME MINISTER SENDS LETTER TO U.S. PRESIDENT ON INSURANCE AND SEMICONDUCTORS (YOMIURI - PAGE 7)

IT WAS LEARNED YESTERDAY THAT PRIME MINISTER RYUTARO HASHIMOTO HAS SENT A PERSONAL LETTER TO UNITED STATES PRESIDENT CLINTON REGARDING THE ONGOING BILATERAL TALKS ON INSURANCE AND SEMICONDUCTORS. THE LETTER CALLS FOR REACHING A SETTLEMENT BEFORE THE END OF JULY. THE AIM IS PROBABLY TO GIVE IMPETUS TO A SERIES OF TALKS TO BE HELD IN CANADA LATER IN THE WEEK. THE CENTRAL THEME OF THE CHIP TALKS IS GOVERNMENT INVOLVEMENT IN A SHARE SURVEY OF FOREIGN-MADE CHIPS IN THE JAPANESE MARKET. THE KEY POINT OF THE INSURANCE TALKS IS WHETHER THE U.S. WILL MOVE CLOSER TO JAPAN'S COMPROMISE PLAN. THE PERSONAL LETTER CONTAINS JAPAN'S STRONG DESIRE TO SETTLE THE ISSUES, PROMPTING THE U.S. TO MAKE FURTHER EFFORTS.

COMPROMISE POSSIBLE IN INSURANCE TALKS THAT RESTART TODAY (NIHON KEIZAI - PAGE 5)
UNCLAS SECTION 07 OF 08 TOKYO 006856

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; USDA; USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 25

THE FINANCE MINISTRY (MOF) AND THE OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE (USTR) WILL HOLD THE LAST ROUND OF SUB-CABINET-LEVEL TALKS IN VANCOUVER, CANADA ON

THE 25TH AND 26TH, SHOOTING FOR A BREAKTHROUGH IN THE STALEMATED BILATERAL INSURANCE TALKS BEFORE THE END OF JULY DEADLINE. THE GREATEST FEATURE OF THE TALKS IS THE TIMING FOR ALLOWING DOMESTIC INSURERS TO ENTER THE NON-LIFE INSURANCE MARKET, WHERE FOREIGN-AFFILIATED INSURERS HAVE A STRONG PRESENCE.

THERE IS THE POSSIBILITY THAT THE ISSUE MIGHT NOT BE WRAPPED UP IN THE SUB-CABINET-LEVEL TALKS AND BE CARRIED OVER INTO MINISTERIAL TALKS FOR A POLITICAL DECISION. THE LIKELIHOOD IS THAT A COMPROMISE MIGHT BE REACHED IN THE END, BY PUTTING OFF BY ONE OR TWO YEARS THE TIMING FOR ALLOWING DOMESTIC INSURANCE FIRMS TO ENTER THAT AREA.

THE SUB-CABINET-LEVEL TALKS WILL BRING TOGETHER INTERNATIONAL FINANCE BUREAU DIRECTOR GENERAL SAKAKIBARA FROM THE JAPANESE SIDE AND AMBASSADOR SHAPIRO OF THE UNITED STATES TRADE REPRESENTATIVE (USTR). THE VIEW IS STRONG THAT SINCE THE TWO COUNTRIES REMAIN POLES APART, A WRAP OF THE PROBLEM IN ADMINISTRATIVE-LEVEL NEGOTIATIONS WOULD BE DIFFICULT. FINANCE MINISTER AND DEPUTY PRIME MINISTER WATARU KUBO HELD A PRESS CONFERENCE YESTERDAY AND SHOWED THAT HE IS DETERMINED TO MAKE A POLITICAL JUDGMENT, NOTING, "(FOLLOWING A REPORT,) I WILL FORM MY JUDGMENT REGARDING TO WHAT EXTENT JAPAN CAN MAKE CONCESSIONS. IF IT IS BETTER FOR ME TO TAKE ACTION, I WILL."

REGARDING THE ACCIDENT INSURANCE MARKET, A POINT AT ISSUE, JAPAN INTENDS TO ALLOW LIFE INSURERS' NON-LIFE INSURANCE SUBSIDIES, WHICH WILL LAUNCH BUSINESS IN OCTOBER, TO ENTER THAT SECTOR IMMEDIATELY. IN CONTRAST, IN CONSIDERATION TO FOREIGN AFFILIATES, THE U.S. HAS ASKED TO PLACE A FREEZE ON THEIR ENTRY INTO THAT MARKET FOR THREE YEARS AFTER THE LIBERALIZATION OF THE LIFE AND NON-LIFE INSURANCE SECTORS. WITH ELECTIONS APPROACHING, BOTH JAPAN AND THE U.S. HAVE TO GIVE CONSIDERATION TO THEIR DOMESTIC INSURANCE COMMUNITY. SUCH A SITUATION IS HAMPERING THEM FROM MAKING CONCESSIONS, AND THE TALKS REMAIN DEADLOCKED.

UNABLE TO MAKE ANY ESTIMATES ON THE DEVELOPMENTS OF THE ACCIDENT INSURANCE PROBLEM, MOF IS SUSPENDING GIVING APPROVAL FOR AN APPLICATION MADE BY LIFE AND NON-LIFE INSURERS TO ESTABLISHING SUBSIDIARIES FOR MUTUAL ACCESS TO EACH OTHER'S BUSINESS TURF. THE SITUATION IS SO PRESSING THAT IF THE MATTER IS PUT OFF LONGER, THEIR SUBSIDIARY PLANS FOR LAUNCHING BUSINESS IN OCTOBER MIGHT SUFFER A SETBACK. MOF IS PRESSURED TO REACH A CONCLUSION BEFORE THE END OF THE MONTH.

HASHIMOTO ANNOYED AT HEALTH MINISTER KAN FOR ABSENTING SELF DURING FOOD-POISONING CRISIS (ASAHI - PAGE 2)

"WHERE IS THE HEALTH AND WELFARE MINISTER IN AN EMERGENCY?" WITH THE FOOD-POISONING CASUALTIES FROM "O-157 TYPE OF E. COLI BACTERIA" BECOMING SERIOUS, PRIME MINISTER RYUTARO HASHIMOTO, IN FUKUOKA CITY ON THE 14TH,

MADE THIS QUIP TO THE PRESS, WHILE WEARING A LOOK OF DISCONTENT TOWARD HIS ABSENT HEALTH AND WELFARE MINISTER NAOTO KAN, WHO WAS ALSO VISITING THE CITY TO GIVE A SPEECH.

ON THAT DAY, THE PRIME MINISTER SEEMED IMPATIENT WITH VIEWS CRITICIZING OF THE GOVERNMENT FOR ITS DELAYED HANDLING OF THE GROWING CRISIS. IN ORDER TO DEAL WITH THE SITUATION, HE INSTRUCTED THE CABINET TO MEET TO DISCUSS COUNTERMEASURES THAT MORNING. BUT THE MEETING DID NOT TAKE PLACE UNTIL LATE THAT DAY BECAUSE OF KAN'S UNCLAS SECTION 08 OF 08 TOKYO 006856

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; USDA; USCINCPAC/PA; CINCPACFLT/PA; COMUSJ/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 25

ABSENCE.

HEALTH AND WELFARE MINISTER KAN'S HANDLING OF THE MEDICALLY-INDUCED HIV INFECTION CASE HAS RAISED HIM IN PUBLIC ESTEEM. SO HE HAS BEEN BUSY GIVING SPEECHES AND HAS BEEN EAGERLY SOUGHT AFTER BY FELLOW SAKIGAKE PARTY DIETMEMBERS FOR THEIR ELECTION CAMPAIGNS. EVEN ON WEEKDAYS, HE HAS BEEN OUT ON STUMPING TOURS. ON THE 24TH, HE WAS IN FUKUOKA CITY TO ENCOURAGE A SAKIGAKE PARTY'S CANDIDATE RUNNING IN THE FUKUOKA GUBERNATORIAL ELECTION. HE HAD PLANNED TO GO TO SHIMONOSEKI CITY, YAMAGUCHI PREFECTURE, AND THEN TO SAGA PREFECTURE.

ALTHOUGH KAN CANCELED HIS SCHEDULE, HE WAS SEVEN MINUTES LATE FOR THE MEETING WITH THE PRIME MINISTER. HE APOLOGIZED WITH A HUMBLE BOW, SAYING "I'M SORRY FOR BEING LATE." IN THE MEETING, HE STRESSED THAT HE WOULD HEAD THE MINISTRY'S COUNTERMEASURES HEADQUARTERS FOR THE O-157 BACTERIA CASE, INSTEAD OF DELEGATING IT TO THE ADMINISTRATIVE VICE-MINISTER OR ANOTHER. YAMAUCHI, ACTING

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DIST:

SIT: NSC

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PREC: IMMEDIATE
CLASS: UNCLASSIFIED
LINE1: OAAUZYUW RUEHKO A6917 2080242-UUUU--RHEHAAA.
LINE2: ZNR UUUUU ZZH
LINE3: O 260242Z JUL 96
LINE4: FM AMEMBASSY TOKYO
OSRI: RUEHKO
DTG: 260242Z JUL 96
ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 5347
RUEHIA/USIA WASHDC IMMEDIATE 0261
INFO: RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RUEBBEA/USDOT WASHDC
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RUAYJAA/COMPATWING ONE KAMI SEYA JA
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUEKJCS/JOINT STAFF WASHDC//J5//
RHEHAAA/WHITE HOUSE WASHDC
RUEKJCS/SECDEF WASHDC
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RUEAIIA/CIA WASHDC
RUCPDOG/USDOC WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JULY 26

TEXT: UNCLAS SECTION 01 OF 09 TOKYO 006917

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 26

TOP HEADLINES:

ASAHI: ADMINISTRATIVE REFORM SUBPANEL ANNOUNCES 38 ITEMS
AS PRIORITY SUBJECTS FOR DEREGULATION; FLEXIBILITY IN
CHOICE OF SCHOOLS INCLUDED; ELEMENTARY AND JUNIOR HIGH
SCHOOL TEXTBOOKS ALSO MENTIONED; RESALE SYSTEM TO
CONTINUE TO BE STUDIED

NIHON KEIZAI: OPTIONAL SYSTEM SUGGESTED FOR ENTERING
ELEMENTARY AND JUNIOR HIGH SCHOOLS; ADMINISTRATIVE REFORM
SUBCOMMITTEE PROPOSES 38 ITEMS AS POINTS AT ISSUE FOR

DEREGULATION; SUGGESTION TO REVIEW AIR FARES; FLEXIBILITY IN QUALIFIED PENSION SYSTEM PROPOSED (TRANSLATION BELOW)

TOKYO SHIMBUN: FIRST SET OF COUNTERMEASURES TO SHIELD RESIDENTIAL HOUSING FROM FIRING NOISES; GOVERNMENT'S POLICY LINE SET ON U.S. FORCES' MILITARY TRAINING, EYEING RELOCATION OF BASE TO MAINLAND JAPAN; RELATED DEFENSE EXPENSES TO BE APPROPRIATED IN NEXT FISCAL YEAR'S BUDGET (TRANSLATION BELOW)

MAINICHI: DEREGULATION: FLEXIBLE CHOICE OF ELEMENTARY AND JUNIOR HIGH SCHOOLS; ADMINISTRATIVE REFORM SUBCOMMITTEE "ANNOUNCES POINTS AT ISSUE"; 33 ITEMS NEWLY ADDED

YOMIURI: FLEXIBILITY IN CHOOSING PUBLIC ELEMENTARY AND JUNIOR HIGH SCHOOLS; POINTS AT ISSUE FOR DEREGULATION UNVEILED BY ADMINISTRATIVE REFORM SUBPANEL; TWO OPINIONS SHOWN ON RESALE SYSTEM OF BOOKS; REPORT TO BE PRESENTED BY NOVEMBER

SANKEI: MEDICAL INSURANCE SYSTEM REFORM PLAN: SUGGESTION ON DOUBLING THE INDIVIDUAL BURDEN; ITEMS TO BE IMPLEMENTED FROM NEXT FISCAL YEAR NARROWED DOWN TO 38 ITEMS; A FIXED RATE TO BE APPLIED TO MEDICAL COST FOR THE ELDERLY

DEREGULATION PANEL ADDS 38 ITEMS TO AGENDA, INCLUDING EDUCATIONAL REFORM (NIHON KEIZAI - TOP PLAY)

THE DEREGULATION SUBCOMMITTEE (CHAIRER BY YOSHIHIKO MIYAUCHI) UNDER THE ADMINISTRATIVE REFORM COMMITTEE (CHAIRER BY YOTARO IIDA) YESTERDAY REVEALED 38 ITEMS WHICH IT CHOSE AS PRIORITY THEMES FOR DEREGULATION. THE SUBPANEL FOCUSED ON REGULATIONS IN THE EDUCATIONAL AREA FOR THE FIRST TIME. ON THIS POINT, IT INCLUDED A CALL FOR A REVIEW OF THE ELEMENTARY AND JUNIOR HIGH SCHOOL SYSTEM, UNDER WHICH THE EDUCATION COMMITTEE OF EACH MUNICIPALITY DESIGNATES WHICH SCHOOL CHILDREN SHOULD ENTER, AND FOR AN EXPANSION OF THE SCOPE OF THE SELECTION OF SCHOOLS. THE PROPOSED TOPICS FOR REVIEW ALSO INCLUDE THE INTRODUCTION OF A NEW ELIGIBLE RETIREMENT PENSION SYSTEM UNDER WHICH PAYOUTS WOULD VARY ACCORDING TO THE PERFORMANCE OF THE MANAGEMENT OF PENSION FUNDS, THE EASING OF THE LICENSING SYSTEM SET ON THE TAXI BUSINESS BY THE TRANSPORT MINISTRY FOR RESTRICTING ENTRY INTO THE BUSINESS IN ACCORDANCE WITH SUPPLY AND DEMAND AND THE INTRODUCTION OF THE HOSPITAL MANAGEMENT BY PRIVATE CORPORATIONS.

THIRTY EIGHT DEREGULATORY ITEMS INCLUDED IN THE "OPENING OF ISSUES"

-- LAND AND HOUSING

- REGULATIONS UNDER THE INDUSTRIAL (SITES) RESTRICTIONS LAW

- REGULATION ON APPROVAL FOR DEVELOPMENT

-- AGRICULTURAL AND MARINE PRODUCTS
- REGULATION ON THE PRODUCTION, PROCESSING AND
DISTRIBUTION OF MILK
- REGULATION ON THE PRODUCTION, PROCESSING AND
DISTRIBUTION OF COCOONS AND RAW SILK
UNCLAS SECTION 02 OF 09 TOKYO 006917

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 26

-- INFORMATION AND COMMUNICATIONS
- REGULATION ON CS DIGITAL BROADCASTING
- REGULATION ON FOREIGN CAPITAL IN THE CATV BUSINESS

-- TRANSPORTATION
- RESTRICTION ON ENTRY INTO THE AIR FREIGHT BUSINESS
- REGULATION ON PRICE-SETTING BY THE AIR FREIGHT INDUSTRY
- RESTRICTION ON ENTRY INTO THE TAX BUSINESS
- REGULATION ON PRICE-SETTING BY THE TAX INDUSTRY
- RESTRICTION ON ENTRY INTO THE BUS SERVICE BUSINESS
- REGULATION ON PRICE-SETTING BY THE BUS SERVICE INDUSTRY
- RESTRICTION ON ENERGY INTO THE RAILWAY SERVICE BUSINESS
- REGULATION ON RAILWAY FREIGHTAGE

-- ENERGY
- REGULATION ON HOME ELECTRICITY GENERATION

-- FINANCE, SECURITIES AND INSURANCE
- REGULATION ON THE MANAGEMENT OF ELIGIBLE RETIREMENT
PENSION FUNDS
- UNIFORM RESTRICTION ON ANTICIPATED INTEREST RATES OF
ELIGIBLE RETIREMENT PENSION FUNDS
- INTRODUCTION OF FIXED-PAYMENT-TYPE ELIGIBLE RETIREMENT
PENSION
- FOREIGN EXCHANGE CONTROL SYSTEM
- RESTRICTION ON STOCKS REGISTERED OVER THE COUNTER
- REGULATION ON INVESTMENTS IN UNREGISTERED AND UNLISTED
STOCKS
- REGULATION ON INVESTMENT TRUSTS
- SYSTEM WHICH PLACES SOME ITEMS OUTSIDE THE REACHES OF
THE ANTI-MONOPOLY LAW UNDER THE FIRE AND MARINE
INSURANCE RATING ORGANIZATION LAW
- REVIEW APPROVAL FOR AND NOTIFICATION OF INSURANCE
PRODUCTS AND EXPAND THE BUSINESS RANGE ALLOWED FOR ENTRY
INTO EACH OTHER'S BUSINESS TURF BETWEEN LIFE AND NON-LIFE
INSURERS

- COMPETITION POLICY
 - REGULATION ON THE MANAGEMENT OF ASSETS BY ELIGIBLE PENSION FUNDS
 - PROMULGATION OF RESTRICTIONS ON PREMIUMS BY SPECIFIED BUSINESSES
- MEDICAL CARE AND SOCIAL WELFARE
 - RUNNING OF HOSPITALS BY BUSINESS CORPORATIONS
 - REGULATION ON HOSPITAL BEDS
 - FUTURE COURSE FOR PRICES OF MEDICINE
 - SALE OF MEDICINE AT RETAIL STORES IN GENERAL THROUGH A REVIEW OF THE CLARIFICATION OF PHARMACEUTICALS
 - REGULATION ON THE EQUIPMENT OF RETAILERS OF PHARMACEUTICALS IN GENERAL AND THE ASSIGNMENT OF PHARMACISTS
 - GOVERNMENT INVOLVEMENT IN THE SILVER-MARK SYSTEM
- EMPLOYMENT AND LABOR
 - REGULATION ON THE DISCRETIONARY LABOR SYSTEM
 - REGULATION ON OVERTIME, HOLIDAY AND MIDNIGHT WORK BY WOMEN
- EDUCATION
 - FLEXIBLE SELECTION OF SCHOOLS
 - DIVERSIFICATION OF SCHOOL CURRICULUMS
 - FLEXIBLE JUNIOR HIGH SCHOOL EQUIVALENCY APPROVAL EXAMINATION
 - FLEXIBLE ESTABLISHMENT OF SCHOOLS

TOP BUSINESS EXECUTIVES BLAST SLOW PACE OF DEREGULATION
(ASAHI - PAGE 11)

THE KEIZAI DOYUKAI (JAPAN ASSOCIATION OF CORPORATE EXECUTIVES) ON THE 25TH STARTED ITS SUMMER SEMINAR IN KARUIZAWA TOWN, NAGANO PREFECTURE. IN YESTERDAY'S SESSION, MANY PARTICIPANTS EXPRESSED THEIR UNHAPPINESS
UNCLAS SECTION 03 OF 09 TOKYO 006917

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 26.

WITH EXTREMELY THE SLOW PACE OF DEREGULATION AND ADMINISTRATIVE REFORM. THE PARTICIPANTS AGREED ON THE NEED FOR AN EARLY GENERAL ELECTION. THE VIEW OFTEN HEARD WAS EXECUTIVES URGING "THE PEOPLE TO SCRUTINIZE SEVERELY WHETHER THEIR POLITICIANS ARE TRYING TO PROTECT THEIR OWN VESTED INTERESTS" (KAZUAKI HARADA, MANAGING DIRECTOR, SANWA RESEARCH INSTITUTE).

AS TO THE PRESENT DEADLOCKED POLITICAL SITUATION, TOKYO ELECTRIC POWER PRESIDENT HIROSHI ARAKI POINTED OUT: "IT STEMS FROM THE CURRENT ELECTION SYSTEM UNDER WHICH POLITICIANS ARE ELECTED SUPPORTED BY VOTE-COLLECTING MACHINES, SUCH AS AGRICULTURAL COOPERATIVES (NOKYO), LABOR UNIONS AND RELIGIOUS ASSOCIATION." SAISON CORPORATION CHAIRMAN SEIJI TSUTSUMI PROPOSED SLASHING THE GAP IN VOTING STRENGTH (BETWEEN URBAN AND FARM AREA VOTES) TO BELOW 1.5-FOLD DIFFERENCE. IN ADDITION, SOME SUGGESTED CARRYING OUT VOTING ON A WEEKDAY FOR SALARIED WORKERS' CONVENIENCE.

REGARDING ADMINISTRATIVE REFORM AND DEREGULATION, MANY CRITICIZED THE GOVERNMENT OFFICES FOR THEIR HINDERING MOVES TOWARD A MARKET ECONOMY, ALTHOUGH THERE WERE SOME WHO APPRECIATED THE STATUS QUO. SUCH CRITICAL VIEWS ALSO APPEARED: "AMONG THE THREE POWERS, THE ADMINISTRATIVE SIDE STICKS OUT. SUCH INDICATES THAT JAPAN IS STILL A DEVELOPING COUNTRY." (SONY VICE CHAIRMAN TSUNAO HASHIMOTO); AND "THE MINISTRY OF FINANCE HAS AVOIDED TAKING LEGAL STEPS IN DEALING WITH THE JUSEN (HOUSING LOAN COMPANIES) DEBACLE. IT VIOLATED THE LAW" (MITSUI O.S.K. LINES CHAIRMAN SUSUMU TENPORIN).

DEREGULATION BECOMING AN ISSUE IN ELECTION CAMPAIGN
(NIHON KEIZAI - PAGE 2)

A SEVERE POLITICAL STRUGGLE IS NOW GOING ON UNDER THE BANNER OF ADMINISTRATIVE REFORM AMONG THE POLITICAL PARTIES, WITH LAWMAKERS IN NAGATACHO (JAPAN'S CAPITOL HILL) LOOKING TOWARD THE NEXT LOWER-HOUSE ELECTION AND A NEW PHASE OF POLITICAL REALIGNMENT. THEIR BEHAVIORAL PATTERN DERIVES FROM THE MYTH THAT THE KEY TO COMING IN ON A "TAIL WIND" IS TO WIN THE VOTERS' HEARTS AT THIS EARLY POINT, PARTICULARLY WITH THE PLANNED INTRODUCTION OF A CONSUMPTION TAX HIKE NEXT APRIL. THE POLITICIANS ALSO BELIEVE THAT TO THAT END, PUTTING UP A POLITICAL BANNER COMES FIRST OVER PRESENTING SPECIFIC ELECTION POLICY PLANKS OR MAKING POLITICAL PROMISES.

HOSOKAWA MAKING EXTRA EFFORT TO DISPLAY HIS LEADERSHIP

FORMER PRIME MINISTER MORIHIRO HOSOKAWA HAS BEEN GAINING STRENGTH IN THE SHINSHINTO (NEW FRONTIER PARTY). HE HAS LAUNCHED AN ADMINISTRATIVE REFORM STUDY GROUP WITH JUN'ICHIRO KOIZUMI OF THE LIBERAL DEMOCRATIC PARTY (LDP) AND ECONOMIC PLANNING AGENCY DIRECTOR GENERAL SHUSEI TANAKA OF THE SAKIGAKE PARTY IN AN EFFORT TO DEMONSTRATE HIS LEADERSHIP IN ADMINISTRATIVE REFORM. HIS ACTION COULD BECOME A STEPPING STONE TO DETERMINE HIS FUTURE COURSE, WHICH AT THIS POINT SEEMS TO INVOLVE TWO OPTIONS: EITHER TO BOLT THE ICHIRO OZAWA-CONTROLLED SHINSHINTO TO LAUNCH A NEW PARTY, OR TO REMAIN IN THE PARTY TO TAKE CONTROL OF THE PARTY IF OZAWA ACCEPTS HOSOKAWA'S BOLD REFORM PLAN.

BUT RECENTLY THERE ARE SIGNS INDICATING THAT HOSOKAWA MAY

BE TAKING A MORE COOPERATIVE STANCE TOWARD OZAWA. IN FACT, HE IS THE ONE WHO INITIATED THE PLAN TO DISSOLVE THE SUPPORT GROUP KOUSHIKAI. THE SHINSHINTO IS GOING TO INDICATE SPECIFIC MEASURES IN ITS LOWER-HOUSE ELECTION PLATFORM TO BE COMPILED IN LATE AUGUST. IN RESPONSE TO OZAWA'S REQUEST, HOSOKAWA PLANS TO PRESENT HIS OWN PLAN SHORTLY. MANY IN THE SHINSHINTO ARE SENSING A SUBTLE CHANGE IN HOSOKAWA'S MOOD.

UNCLAS SECTION 04 OF 09 TOKYO 006917

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 26

HOSOKAWA HIMSELF IS ONLY REPEATING THAT HIS ADMINISTRATIVE REFORM POLICY LINE HAS BEEN CONSISTENT AND THAT HE HAS NO ULTERIOR MOTIVE. NEVERTHELESS, HIS RECENT ACTION HAS BRED ALL KINDS OF SPECULATION, SUCH AS:

"HE MUST HAVE JUDGED THAT CHANGING THE SHINSHINTO IS DIFFICULT AT THIS POINT. SO HE IS JUST WATCHING HOW MR. OZAWA IS GOING TO MOVE NEXT."

"MR. OZAWA WILL QUIT BEING PARTY PRESIDENT IF OUR PARTY FAILS TO GAIN A MAJORITY IN THE NEXT LOWER-HOUSE ELECTION. MR. HOSOKAWA'S GOAL IS TO FORM A COALITION WITH A NEW HATOYAMA PARTY ALONG WITH FORMER PRIME MINISTER TSUTOMU HATA."

HATOYAMA'S TONE SUBSIDING; TAKEMURA EYEING NEW ADMINISTRATION

SAKIGAKE SECRETARY GENERAL YUKIO HATOYAMA, THE FORERUNNER OF POLITICAL AND ADMINISTRATIVE REFORM, HAS SUDDENLY TONED DOWN HIS VIEWS, SUGGESTING, "ADMINISTRATIVE REFORM IS SUCH A BIG THEME. IT'S NOT EASY TO JUDGE EACH PARTY BY SUCH A THEME ALONE." AT ONE POINT, HE HAS RECEIVED A PIECE OF "ADVICE" FROM JUN'ICHIRO KOIZUMI ABOUT PRIVATIZATION OF THE POSTAL BUSINESS: "IF YOU LEND YOUR EAR TO ZENTEI'S (JAPAN POSTAL WORKERS' UNION) DEVILISH VOICE, YOU WILL NOT BE ABLE TO BRING ABOUT A FRESH BREEZE (IN POLITICS)."

A PERSON CLOSE TO HATOYAMA NOTED DEPRESSINGLY: "IF WE GIVE PRIORITY TO PRAGMATISM, WE WOULD BE BURIED ALIVE IN THE PARTY. BUT IF WE PURSUE OUR OWN IDENTITY, WE MIGHT BE REGARDED AS AN OPPOSITION PARTY." THE TRUTH IS THAT SAKIGAKE MEMBERS FACE A BIG DILEMMA, WAVERING BETWEEN ITS

OWN INCLINATION TO SUPPORT LABOR UNIONS AND ITS GOAL OF FORMING A NEW PARTY AND A NEW POLITICAL CLIMATE AFTER THAT. ONE SAKIGAKE MEMBER POINTED OUT COOLLY: "WE ARE NOW PAYING THE DEBTS INCURRED IN THE PROCESS OF FORMING THIS PARTY THAT LACKS ANY CLEAR POLICY DIRECTION OR POLITICAL VISION."

MEANWHILE, SAKIGAKE LEADER MASAYOSHI TAKEMURA AND SHUSEI TANAKA, WHO ARE NOT HAPPY WITH HATOYAMA'S NEW-PARTY SCHEME, HAVE BEGUN TO ADVOCATE AN "ADMINISTRATIVE AND FISCAL-REFORM ADMINISTRATION." IT SEEMS THAT THEIR GOAL IS TO SNATCH THE LEADERSHIP AWAY FROM HATOYAMA AND LAUNCH A "POLITICAL-REFORM GOVERNMENT," WHICH WOULD BE LIKE A RERUN OF THE HOSOKAWA ADMINISTRATION THAT HELD THE CASTING VOTE THREE YEARS AGO.

LDP UNDERLINING ITS POTENTIAL

"FIRST OF ALL, I WANT TO REFORM SPECIAL ORGANIZATIONS (TOKUSHU HOJIN). THAT CAN BE OUR CENTERPIECE ALONG WITH DEREGULATION." LATE ON JULY 24, SAKIGAKE DEPUTY LEADER HIROYUKI SONODA INDICATED REFORM THEMES TO LDP POLICY AFFAIRS RESEARCH COUNCIL VICE CHAIRMAN KAORU YOSANO. YOSANO REPLIED: "I AM READY TO DISCUSS A POLICY DIRECTION IF YOU ARE SERIOUS ABOUT SCRAP-AND-BUILD REORGANIZATION OF GOVERNMENT AGENCIES."

SONODA'S CONSTRUCTIVE APPROACH TO A POSSIBLE ALLIANCE BETWEEN THE LDP AND A NEW PARTY WAS AN ENCOURAGEMENT FOR YOSANO, WHO HAS BEEN RELUCTANT ABOUT HATOYAMA'S NEW-PARTY CONCEPT ADVOCATING SUCH ABSTRACT IDEAS AS "FRIENDSHIP AND LOVE." POLITICAL PARTIES AND LAWMAKERS ARE ENGAGING IN ALL KINDS OF MANEUVERING ALREADY TARGETING AT A NEW ADMINISTRATION AFTER THE NET ELECTION, FOCUSING ON ADMINISTRATIVE REFORM. THE LDP'S "HASHIMOTO VISION" HAS LOST ITS ORIGINAL GLOW DUE TO THE PARTY'S "APPROVAL AS A WHOLE BUT OPPOSITION REGARDING SPECIFICS."

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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 26

PRIME MINISTER RYUTARO HASHIMOTO AND CHIEF CABINET SECRETARY SEIROKU KAJIYAMA HAVE BEEN DESPERATELY TRYING TO UNDERLINE THE LDP'S POTENTIAL BY FLESHING OUT EPA DIRECTOR GENERAL TANAKA'S DEREGULATION PLAN AND PROPOSING

A REDUCTION OF THE SLOTS FOR HIRING PUBLIC SERVANTS.

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THE NONPARTISAN STUDY GROUP LED BY HOSOKAWA, KOIZUMI AND TANAKA IS GOING TO COMPILE A PROPOSAL ON AUGUST 1. AS WAS POINTED OUT BY KOIZUMI THAT "THE PRESENT SITUATION WHERE EVERYONE IS SUGGESTING REFORM REMINDS ME OF THE PREVIOUS BOUT OF POLITICAL-REFORM FEVER," THE REFORM DEBATE NOW GOING ON IN THE POLITICAL COMMUNITY SUGGESTS LITTLE IN TERMS OF CONTENTS.

U.S. AGREES TO JAPANESE PROPOSAL FOR JOINT GOVERNMENT-PRIVATE SECTOR SESSION (MAINICHI - PAGE 9)

PRIOR TO THE HOME-STRETCH TALKS ON THE JAPAN-UNITED STATES SEMICONDUCTOR PACT TO START IN VANCOUVER, CANADA, ON THE 28TH, THE U.S. GOVERNMENT HAS CONVEYED ITS CONSENT TO JAPAN'S IDEA OF SETTING UP A "JOINT SESSION" DESIGNED TO DISCUSS MICROCHIP ISSUES AT THE GOVERNMENTAL AND INDUSTRIAL LEVEL, IT WAS LEARNED ON THE 25TH. CONCERNING A "MULTILATERAL GOVERNMENT FORUM ON SEMICONDUCTORS" ALSO IN JAPAN'S PROPOSAL AS WELL, THE U.S. ACCEPTS THE IDEA, ON THE CONDITION THAT THE EUROPEAN UNION (EU) PROMISE TO REPEAL ITS TARIFFS ON MICROCHIPS. YET, THE U.S. GOVERNMENT IS STILL REQUESTING THAT A JAPAN-U.S. BILATERAL FRAMEWORK BE KEPT. IN ADDITION, THE U.S., ALTHOUGH MAKING MINOR CHANGES IN NUANCE, STILL USES THE WORDING "MAINTENANCE AND CONTINUATION (OF THE CURRENT MARKET ACCESS)," TO WHICH JAPAN HAS FIERCELY REACTED BY CALLING IT AS "A HIDDEN NUMERICAL TARGET,". THIS POINT HAS BEEN LEFT AS A BONE OF CONTENTION IN THE NEGOTIATIONS.

THE PROPOSAL MADE BY THE U.S. IS IN REPLY TO JAPAN'S PROPOSAL PRESENTED DURING THE SUB-CABINET-LEVEL AND MINISTERIAL TALKS HELD IN MID-JULY IN NEW ZEALAND. REGARDING THE CONTROVERSIAL ISSUE OF SHARE SURVEYS OF FOREIGN CHIPS IN THE JAPANESE MARKET, NO CHANGE IS OBSERVED IN THE STANCE OF CALLING FOR CONTINUING SUCH EFFORTS, BUT AS FOR THE WAY A SURVEY WOULD BE HANDLED, THE PROPOSAL NOTED "FUTURE DISCUSSION," HINTING THAT THE U.S., IN RESPONSE TO JAPAN'S OPPOSITION, WOULD NOT STICK TO THE CURRENT PRINCIPLE OF IDENTIFYING BY CAPITAL-NATIONALITY.

MITI ADMINISTRATIVE VICE MINISTER TOMIO TSUTSUMI TOLD A NEWS CONFERENCE, "WE RECOGNIZE SOME PROGRESS IN THE EXPRESSIONS BUT THE U.S. STANCE IN GENERAL REMAINS UNCHANGED," AND SAID, "IT IS NOTHING NEW" AS A WHOLE.

CHIP TALKS STILL HUNG UP OVER MARKET-SHARE SURVEY ISSUE (ASAHI - PAGE 5)

AN OFFICIAL OF THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) REVEALED YESTERDAY THAT A NEW PROPOSAL HAS BEEN SENT BY THE UNITED STATES GOVERNMENT ON THE EXTENSION ISSUE OF THE JAPAN-U.S. SEMICONDUCTOR PACT. THE NEW PROPOSAL APPROVES JAPAN'S IDEA OF ESTABLISHING A FORUM AT THE GOVERNMENTAL AND INDUSTRY LEVEL TO DISCUSS

MARKET BARRIERS AND OTHER PROBLEMS, BUT DOES NOT CONTAIN ANY CHANGES IN THE U.S. STANCE OF CALLING FOR SHARE SURVEYS, WHICH JAPAN HAS REJECTED. WITH THE GAP IN BOTH SIDES' ASSERTIONS REMAINING APART, JAPAN AND THE U.S. WILL START TALKS IN VANCOUVER, CANADA, ON THE 29TH IN A LAST-DITCH EFFORT TO SETTLE THE DISPUTE BEFORE THE JULY 31 DEADLINE.

A SENIOR MITI OFFICIAL REMARKED REGARDING ON THE U.S. PROPOSAL, "DIFFERENT EXPRESSIONS WERE USED IN THE COMPOSITION, BUT ITS OUTLINE REMAINS UNCHANGED CONCERNING THE LONGTERM U.S. POSITION."

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USIA

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JULY 26

THE NEW PROPOSAL IS A COMBINATION OF THE JAPANESE AND AMERICAN PAST PROPOSALS. THAT INCLUDES JAPAN'S IDEA OF A MULTILATERAL GOVERNMENT-INDUSTRY JOINT FORUM BUT SEEKS CONTINUATION OF BILATERAL MONITORING OF FOREIGN MARKET SHARE BASED ON THE RESULTS OF SHARE SURVEYS.

MITI HAS STRONGLY REACTED TO WHAT THE U.S. MENTIONED AS THE PURPOSE OF A NEW FRAMEWORK AFTER THE EXISTING ACCORD EXPIRES. JAPAN'S PROPOSAL NOTES THAT "IT IS AIMED FOR SOUND DEVELOPMENT OF THE MICROCHIP INDUSTRY," WHILE THE U.S. ONE PROVIDES, "IT IS FOR MAINTENANCE AND CONTINUATION OF THE PROGRESS THAT HAS BEEN MADE UNDER THE CURRENT ACCORD." MITI IS CONCERNED, ONE OFFICIAL SAYING "THERE IS THE POSSIBILITY THAT ONCE THE U.S. SETS THE CURRENT SHARE OF FOREIGN CHIPS OF THE JAPANESE MARKET AS THE FLOOR TARGET (31 PERCENT) AND IF THE SHARE DROPS, THE U.S., WAVING THE THREAT OF SANCTIONS, MIGHT PRESS THE JAPANESE GOVERNMENT TO TAKE IMPROVEMENT MEASURES, CLAIMING SUCH AS RUNNING AGAINST THEIR PLEDGE."

MITI IS DETERMINED TO REJECT THE FORMATION OF ANY PURPOSES OF A NEW FRAMEWORK THAT WOULD LEAD TO AN INCREASE IN MARKET SHARE OR A COMMITMENT TO GOVERNMENT'S IMPROVEMENT MEASURES.

GAP STILL WIDE IN COALITION OVER DEFENSE SPENDING (SANKEI - PAGE 2).

PRIOR TO OBTAINING CABINET APPROVAL LATE THIS MONTH FOR THE BUDGET-REQUEST GUIDELINES (CEILINGS) FOR THE NEXT

FISCAL YEAR, COORDINATION CONTINUED ON JULY 25 AMONG THE THREE RULING PARTIES ON DEFENSE-RELATED EXPENSES AND OFFICIAL DEVELOPMENT ASSISTANCE (ODA), WHICH ARE BOTH NOW IN THE SPOTLIGHT. ON THE GROWTH RATE OF THE DEFENSE EXPENDITURES, THE LIBERAL DEMOCRATIC PARTY (LDP) AND THE JAPAN DEFENSE AGENCY (JDA) HAVE BOTH INSISTED ON SECURING A 4.5-PERCENT INCREASE FROM THE PREVIOUS YEAR, WHILE THE SOCIAL DEMOCRATIC PARTY (SDP) AND THE SAKIGAKE PARTY HAVE CALLED FOR DRASTICALLY CURTAILING SUCH EXPENSES BY HOLDING DOWN THE GROWTH RATE TO BELOW THIS FISCAL YEAR'S RATE (2.58 PERCENT). A WIDE RIFT STILL REMAINS IN THE RULING CAMP, SO IT HAS BEEN DECIDED TO LEAVE THIS MATTER TO A MEETING OF THE POLICY COORDINATION COUNCIL.

IN A MEETING OF THE DEFENSE COORDINATION COUNCIL HELD THAT DAY, THE SDP ONCE AGAIN CALLED FOR A CUT BACK IN FRONTLINE-EQUIPMENT EXPENSES, SUCH AS FOR THE AIRBORNE WARNING AND COMMAND SYSTEM (AWACS) AND THE AEGIS ESCORT SHIP. SAKIGAKE ALSO REQUESTED THE AMOUNT OF PAYMENTS FOR EQUIPMENT, NOW PLANNED TO BE MADE OVER A NUMBER OF FISCAL YEARS, BE STANDARDIZED. BUT BOTH THE LDP AND JDA MADE A REBUTTAL, ARGUING, "CONTRACTS WITH SUPPLIERS HAVE BEEN ALREADY CONCLUDED." NEITHER SIDE WOULD CONCEDE TO THE OTHER.

REGARDING GENERAL EXPENDITURES FOR OPERATIONS AND TRAINING OF SELF-DEFENSE FORCES (SDF) TROOPS, THE JDA STRESSED THE NECESSITY OF RAISING THE APPROPRIATION, NOTING, "THE OPERATIONAL RATE OF TANKS IN EXERCISES HAS NOW DROPPED." BUT BOTH THE SDP AND SAKIGAKE REJECTED SUCH A REQUEST, ARGUING, "THE RESPONSIBILITY FOR THAT LIES WITH THE JDA THAT HAS FAILED TO USE MONEY FOR THE OPERATIONAL SIDE UNTIL NOW."

IN THE END, IT WAS DECIDED THAT YOSHINORI ONO, CHAIR OF THE MEETING AND A MEMBER OF THE LDP, WOULD PRESENT THE COALITION'S DRAFT OPINION PAPER ON JULY 26. THE SDP'S STANDPOINT IS NOT TO RESPOND TO DISCUSSION THAT GIVES SPECIFIC NUMBERS. THE PARTY IS EXPECTED TO LEAVE THIS MATTER TO THE POLICY COORDINATION COUNCIL PROBABLY WITHIN THAT DAY.

ON THE OTHER HAND, ODA, TOO, WILL BE DISCUSSED IN A UNCLAS SECTION 07 OF 09 TOKYO 006917

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 26

MEETING OF THE FOREIGN AFFAIRS COORDINATION COUNCIL TO TAKE PLACE TODAY, BUT SUBSTANTIVE COORDINATION WILL BE ENTRUSTED TO THE POLICY COORDINATION COUNCIL.

APPROXIMATELY 1300 GROUND TROOPS TO BE CUT NEXT YEAR
(YOMIURI - PAGE 2)

THE JAPAN DEFENSE AGENCY REVEALED ITS PLAN AT THE RULING COALITION'S DEFENSE COORDINATION MEETING HELD IN THE DIET ON JULY 25 TO INTRODUCE ABOUT 1,000 PERSONNEL IN THE NEXT FISCAL YEAR FOR ITS NEW SYSTEM OF QUICK-RESPONSE RESERVE PERSONNEL (SOKUOU YOBİ JIEIKAN) FOR THE GROUND SELF-DEFENSE FORCE. ALONG WITH THIS, JDA WILL CARRY OUT A REDUCTION OF 1,300 TO 1,400 IN THE AUTHORIZED NUMBER OF PERSONNEL IN THE GSDF. THIS IS THE FIRST TIME TO CARRY OUT A FULL-SCALE REDUCTION IN THE EXISTING QUORUM OF SDF PERSONNEL.

JDA IS GOING TO REORGANIZE THE GSDF WESTERN DISTRICT ARMY'S 4TH DIVISION (HEADQUARTERED IN FUKUOKA PREFECTURE) IN THE NEXT FISCAL YEAR, AND THE 4TH DIVISION WILL HAVE A REGIMENT MAINLY CONSISTING OF SDF QUICK-RESPONSE RESERVISTS.

THE SELF-DEFENSE QUICK-RESPONSE RESERVE PERSONNEL SYSTEM IS A SETUP NEWLY INTRODUCED IN THE NEW CHARTER OF THE NATIONAL DEFENSE PROGRAM OUTLINE TO DOWNSIZE THE GSDF. SDF QUICK-RESPONSE RESERVISTS WILL BE RECRUITED FROM AMONG SDF RETIREES. RESERVE PERSONNEL (YOBİ JIEIKAN) UNDER THE CONVENTIONAL SYSTEM ARE TO BE ASSIGNED TO LOGISTIC SUPPORT AND OTHER SERVICES IN TIMES OF EMERGENCY, BUT THE QUICK-RESPONSE RESERVISTS WILL BE DEPLOYED TO FRONTLINE UNITS. ACCORDING TO THE NEW NDPO CHARTER, JDA IS GOING TO INTRODUCE A TOTAL OF 15,000 PERSONS FOR THE SDF'S QUICK-RESPONSE READINESS.

JDA IS PLANNING TO PRESENT AN SDF LAW REVISION BILL TO THE DIET AT ITS ORDINARY SESSION IN THE NEXT FISCAL YEAR IN ORDER TO LAUNCH THE SDF QUICK-RESPONSE RESERVE PERSONNEL SYSTEM, AND JDA IS NOW STUDYING SUCH MATTERS AS ALLOWANCES FOR QUICK-RESPONSE RESERVISTS AND A SYSTEM OF COMPENSATION FOR THEIR EMPLOYERS.

IN THIS CONNECTION, JDA ON JULY 25 HELD THE FIRST MEETING OF THE "FORUM ON THE PROBLEM OF HIRING SDF RESERVISTS" (A PRIVATE ADVISORY PANEL FOR THE JDA PERSONNEL BUREAU DIRECTOR GENERAL) TO HEAR THE MEMBER COMPANIES' REQUESTS REGARDING THE QUICK-RESPONSE RESERVE PERSONNEL SYSTEM.

SUPREME COURT RULING AUGUST 28 ON OKINAWA LAND ISSUE
COULD INFLUENCE REFERENDUM (ASAHI - PAGE 2)

IT WAS DECIDED A RULING BY THE SUPREME COURT ON THE "PROXY-SIGNING SUIT" AS TO THE FORCIBLE USE OF LAND LOTS BY UNITED STATES FORCES ON OKINAWA WOULD BE HANDED DOWN ON AUGUST 28, PRIOR TO A "PREFECTURAL REFERENDUM" PLANNED TO TAKE PLACE ON SEPTEMBER 8 IN OKINAWA. THE GOVERNMENT AND THE RULING CAMP HAVE TAKEN THIS DECISION AS

FAVORABLE, THINKING THERE WOULD EMERGE A GOOD EFFECT ON A PREFECTURAL REFERENDUM AS WELL AS ON THE PROCEDURES FOR THE FORCIBLE USE OF LAND SITES, WHOSE LEASE CONTRACTS ARE TO EXPIRE NEXT MAY. TAKU YAMASAKI, CHAIRMAN OF THE POLICY AFFAIRS RESEARCH COUNCIL OF THE LIBERAL DEMOCRATIC PARTY, HAS REMARKED: "WE ARE HAPPY TO HEAR IT BECAUSE A RESPONSE BY THE CENTRAL GOVERNMENT AND THAT BY OKINAWA PREFECTURE WOULD BE MADE MORE QUICKLY." BEHIND THIS IS THE EXPECTATIONS THAT A RULING FAVORABLE TO THE CENTRAL GOVERNMENT WOULD BE GIVEN. BUT NO ONE KNOWS WHAT KIND OF JUDGMENT WILL BE PASSED. AND THE CONCERN STILL REMAINS THAT DEPENDING ON A RULING, THE OKINAWAN PEOPLE MAY REACT MORE NEGATIVELY TO THE CENTRAL GOVERNMENT, AND THAT THEIR STANCE MAY BE REFLECTED IN A PREFECTURAL REFERENDUM, THEREBY CAUSING THE SITUATION TO BECOME EVEN WORSE.

UNCLAS SECTION 08 OF 09 TOKYO 006917

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 26

A RULING WILL BE HANDED DOWN ON THE LAWSUIT FOR LAND LOTS NOW USED AS (U.S.) MILITARY FACILITIES INCLUDING SOBE TELECOM SITE.

YAMASAKI SAYS: "MY UNDERSTANDING IS THAT THE RULING WILL SERVE AS A SIGNIFICANT FACTOR FOR OKINAWAN CITIZENS TO MAKE A DECISION ON THE OCCASION OF A PREFECTURAL REFERENDUM, FOR INSTANCE." MANY (IN THE CENTRAL GOVERNMENT) BELIEVE THAT THE RULING MAY FUNCTION AS A "LUBRICANT" IN RESOLVING SUCH DIFFICULT ISSUES AS SELECTION OF A RELOCATION PLACE FOR FUTENMA AIR FIELD. ALTHOUGH IT HAD BEEN THOUGHT THAT A RULING WOULD BE GIVEN IN SEPTEMBER, IT HAS NOW BEEN DECIDED TO GIVE IT EARLIER. REFERRING TO THIS, MOST VIEW IT FAVORABLY, AND A HIGH-LEVEL CENTRAL GOVERNMENT OFFICIAL STATED, "IN LIGHT OF THE NATURE OF THE LAWSUIT, THE SUPREME COURT MIGHT HAVE JUDGED IT SHOULD PASS A JUDGMENT AS QUICKLY AS POSSIBLE." THE CENTRAL GOVERNMENT VIEWS THAT IF THE SUPREME COURT GIVES A RULING AS THE CENTRAL GOVERNMENT EXPECTS, THE PLANNED PREFECTURAL REFERENDUM WILL BECOME A TURNING POINT FOR THE OKINAWA PROBLEM.

ON THE OTHER HAND, SOME (IN THE CENTRAL GOVERNMENT) EXPRESS A SENSE OF ANXIETY ABOUT THE DATE OF RULING BECAUSE THE RULING WILL BE HANDED DOWN BEFORE THE PREFECTURAL REFERENDUM TAKES PLACE. IF THE SUPREME COURT PASSES A JUDGMENT SIMILAR TO THE ONE MADE IN THE

FIRST TRIAL BY THE FUKUOKA HIGH COURT'S NAHA BRANCH, "OKINAWAN PEOPLE WILL SHOW STRONG OPPOSITION ALL AT ONCE, AND THEIR ANGER WILL SPILL OVER INTO THE PREFECTURAL REFERENDUM. CONSEQUENTLY, GOVERNOR OTA MAY BE UNABLE TO TAKE ANY FLEXIBLE ACTION" (SENIOR OFFICIAL OF THE DEFENSE FACILITIES ADMINISTRATION AGENCY (DFAA)). BUT GOVERNOR OTA AND OTHERS TAKE THE STANDPOINT THAT THEY WOULD LIKE TO DECIDE ON THEIR STANCE TOWARD THE PROXY-SIGNING ISSUE AFTER ASCERTAINING THE CENTRAL GOVERNMENT'S RESPONSE TO THE PROBLEM OF RELOCATING FUTENMA AIR FIELD, IN ADDITION TO THE OUTCOME OF THE PREFECTURAL REFERENDUM.

SOME IN THE CENTRAL GOVERNMENT AND THE LDP MAKE THE CONJECTURE, "IF GOVERNOR OTA INSISTS ON REFUSING (TO DO PROXY-SIGNING), AN OPPORTUNITY FOR ENACTING A SPECIAL LAW TO SPEED UP THE PROCEDURES WOULD ARISE " (SENIOR FOREIGN MINISTRY OFFICIAL). IF THAT IS THE CASE, THE SPLIT BETWEEN THE CENTRAL GOVERNMENT AND OKINAWA WOULD BECOME PERMANENT, AND CHANCES FOR SETTLING VARIOUS ISSUES, INCLUDING REALIGNMENT AND REDUCTION OF BASES MIGHT WANE.

GOVERNMENT PLANS TO IMPLEMENT SOUND-SHIELDING MEASURES FOR RESIDENTS NEAR NOISY BASES (TOKYO SHIMBUN - TOP PLAY)

THE GOVERNMENT HAS DECIDED AS OF JULY 25 TO CARRY OUT SOUND-INSULATION WORK FOR HOUSING AROUND THE SELF-DEFENSE FORCES' MANEUVER AREAS SO AS TO ABATE THE LOCAL RESIDENTS' SUFFERING FROM THE NOISE OF FIRING EXERCISES. THE GOVERNMENT WILL EARMARK IT IN THE NEXT FISCAL YEAR'S DEFENSE BUDGET. THIS IS INTENDED TO SMOOTH THE PLANNED SHIFTING OF THE U.S. FORCES' LIVE-FIRE ARTILLERY TRAINING ACROSS PREFECTURAL ROAD 104 IN OKINAWA PREFECTURE TO THE MAINLAND OF JAPAN, AND THE SDF'S FIVE MANEUVER AREAS ON THE LIST OF CANDIDATE SITES WILL BE CONSIDERED FIRST. SOUND-INSULATION WORK FOR HOUSING IS NOW LIMITED TO AIRCRAFT NOISE ONLY, AND THIS IS THE FIRST CASE OF CONDUCTING SUCH WORK IN CONSIDERATION OF THE NOISE OF ARTILLERY TRAINING.

FOR NOW, FIVE SDF MANEUVER AREAS ARE ON THE LIST OF CANDIDATE SITES FOR THE U.S. MILITARY'S SHIFTING OF LIVE-FIRE TRAINING. THE GOVERNMENT IS CONSIDERING HIGASHI-FUJI (IN SHIZUOKA PREFECTURE), KITA-FUJI (IN YAMANASHI PREFECTURE), YAUSUBETSU (IN HOKKAIDO), OJOJIHARA (IN MIYAGI PREFECTURE), AND HIJIUDAI (IN OITA PREFECTURE). THE U.S. FORCES IN JAPAN ARE NOW CHECKING INTO THE PROPRIETY OF THOSE MANEUVER AREAS FOR LIVE-SHELL FIRING
UNCLAS SECTION 09 OF 09 TOKYO 006917

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 26

PRACTICES, BUT ALL THE LOCAL MUNICIPALITIES HAVE ALREADY EXPRESSED THEIR INTENTION OF REFUSING TO ACCEPT SUCH FIRING EXERCISES.

THE DEFENSE FACILITIES ADMINISTRATION AGENCY WILL FORMALLY NOTIFY THE LOCAL GOVERNMENTS OF ITS PLAN IN THE MIDDLE OF NEXT MONTH, AND THEN WOULD LIKE TO DECIDE ON THE PLANNED SHIFTING OF THE U.S. MILITARY'S ARTILLERY TRAINING. AS A MEASURE TO OBTAIN THE LOCAL SIDE'S UNDERSTANDING, THE DFAA HAS NOW WORKED OUT A PLAN TO IMPLEMENT SOUND-ABATEMENT PROJECTS FOR CIVILIAN HOUSING AROUND THOSE SDF MANEUVER AREAS.

AS FOR SOUND-INSULATION WORK, THE "LAW FOR THE IMPROVEMENT OF THE LIVING ENVIRONMENT OF AREAS AROUND DEFENSE FACILITIES" (SHUHENSEIBIHO) STIPULATES THAT SUCH A SOUND-ABATEMENT MEASURE FOR CIVILIAN HOUSING IS TO BE CONSIDERED AGAINST "AIRCRAFT NOISE." ACCORDINGLY, THE GOVERNMENT HAS SO FAR IMPLEMENTED SUCH A MEASURE ONLY FOR THOSE IN THE VICINITY OF SDF AND USFJ AIR BASES. SOUND-INSULATION WORK AGAINST THE NOISE OF ARTILLERY FIRING AND AIRCRAFT BOMBING IN MANEUVER AREAS HAS BEEN LIMITED TO SUCH PUBLIC FACILITIES AS SCHOOLS AND HOSPITALS, AND CIVILIAN HOUSING HAS NOT BEEN CONSIDERED TO DATE.

THE GOVERNMENT IS GOING TO PRESENT A SHUHENSEIBIHO REVISION BILL TO THE DIET AT THE NEXT SESSION AT THE EARLIEST. SUBSEQUENTLY, THERE WILL BE A FURTHER INCREASE IN THE NUMBER OF HOUSEHOLDS FOR SOUND INSULATION -- CURRENTLY AT 350,000. MOREOVER, SUCH IS EVEN LIKELY TO RAISE THE GROWTH RATE OF DEFENSE SPENDING. FOR THE TIME BEING, THE GOVERNMENT WILL GIVE FIRST CONSIDERATION TO THOSE AROUND A DESIGNATED MANEUVER AREA, AND IS GOING TO CONSIDER OTHER MANEUVER AREAS.

FOR SOUND INSULATION, THE GOVERNMENT IS NOW PLANNING SUCH STEPS AS DOUBLE-SASHING WINDOWS, INSTALLING AIR-CONDITIONING SYSTEMS, AND SETTING UP SOUND INSULATORS, IN THE SAME WAY AS IN THE CASE OF COUNTERMEASURES AGAINST AIRCRAFT NOISE. IN ADDITION, THE GOVERNMENT WILL ALSO INCORPORATE MEASURES TO PREVENT "LOW FREQUENCY" NOISE THAT ARISES IN GUN FIRING AND HITTING IMPACTS. LOCAL MUNICIPALITIES HAVE REQUESTED ANTI-VIBRATION WORK FROM BEFORE, BUT THE GOVERNMENT WILL LIKELY SHELVE IT THIS TIME DUE TO SUCH PROBLEMS AS THE METHOD OF CONSTRUCTION. YAMAUCHI, ACTING

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OSRI: RUEHKO
DTG: 290221Z JUL 96
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RUAYJAA/COMPATWING ONE KAMI SEYA JA
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RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RUEKJCS/JOINT STAFF WASHDC//J5//
RHEHAAA/WHITE HOUSE WASHDC
RUEKJCS/SECDEF WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JULY 29
TEXT: UNCLAS SECTION 01 OF 07 TOKYO 006953

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 29

TOP HEADLINES:

ASAHI: ARIMORI WINS THE BRONZE, CONSECUTIVE MEDAL IN
OLYMPIC GAMES; 'AMBUSH' RUNNER ROBA (ETHIOPIA) WINS RACE

MAINICHI: ARIMORI IN "BRONZE" FINISH TO WIN CONSECUTIVE
MEDAL; 'NEW STAR' ROBA (ETHIOPIA) WINS OVERWHELMING
VICTORY IN WOMEN'S MARATHON; MAKI FINISHES IN 12TH PLACE,
ASARI IN 17TH

YOMIURI: ARIMORI WINS "BRONZE"; MEDALS IN SUCCESSION;

ROBA (ETHIOPIA) WINS RUNAWAY "GOLD" IN WOMEN'S MARATHON;
MAKI FINISHES IN 12TH PLACE, ASARI IN 17TH

SANKEI: UNKNOWN RUNNER ROBA (ETHIOPIA) WINS WOMEN'S
MARATHON; ARIMORI FINISHES WITH BRONZE MEDAL; MAKI IN
12TH PLACE, ASARI IN 17TH

TOKYO SHIMBUN: ARIMORI SPURTS TO WIN "BRONZE" IN WOMEN'S
MARATHON; CONSECUTIVE MEDAL IN THE OLYMPIC RACES; "GOLD"
WON BY 'AMBUSH' RUNNER ROBA FROM ETHIOPIA

NIHON KEIZAI: AGRICULTURE MINISTRY TO REVISE LAW FOR
STRENGTHENING AGRICULTURAL COOPERATIVES, AIMING AT
FY1997; MINIMUM INVESTMENT TO BE SET AT 100 MILLION YEN;
COOPERATIVES TO BE URGED TO APPOINT OUTSIDE DIRECTORS

JAPAN TO FLOAT IDEA OF INDUSTRY CARRYING OUT SHARE
SURVEYS OF CHIP MARKET (ASAHI - PAGE 11)

IN CONNECTION WITH THE JAPAN-UNITED STATES SEMICONDUCTOR
AGREEMENT, DUE TO EXPIRE AT THE END OF THIS MONTH, AN
INITIATIVE COMING FROM THE PRIVATE SECTOR HAS SURFACED ON
THE JAPANESE SIDE TO RESOLVE THE ISSUE OF A SURVEY IN
JAPAN OF THE SHARE OF FOREIGN-MADE CHIPS, OVER WHICH THE
TWO COUNTRIES REMAIN AT LOGGERHEADS. THE NEWLY SUGGESTED
PLAN CALLS FOR THE ADVISORY COUNCIL FOR FOREIGN-MADE CHIP
USERS UNDER THE JAPAN ELECTRONIC INDUSTRIES ASSOCIATION
TO CONDUCT A SHARE SURVEY IN PLACE OF THE CURRENT
GOVERNMENT-LED ONE. THE JAPANESE SIDE HAS BEEN STRONGLY
AGAINST "ANY KIND OF SURVEY," BUT WITH THE U.S. STRONGLY
ASSERTING THE NECESSITY OF SUCH A SURVEY, THE LIKELIHOOD
IS THAT JAPAN'S PROPOSAL WILL BE CONSIDERED DURING THE
BILATERAL CHIP TALKS TO BE RESTARTED IN VANCOUVER, CANADA
AROUND THE 28TH.

THE NEWLY PROPOSED PLAN IS A FORMULA UNDER WHICH THE
USERS ADVISORY COUNCIL, WHICH UNDER THE CHIP ACCORD
PROMOTES THE PURCHASE OF FOREIGN MADE CHIPS BY JAPANESE
COMPANIES, AND COLLECTS DATA ON THE PURCHASES OF FOREIGN-
MADE CHIPS BY JAPANESE FIRMS. THE POSSIBILITY IS THAT
THE U.S. MIGHT SHOW INTEREST IN ONE ASPECT OF THE
PROPOSAL, NAMELY, IF JAPAN'S INDUSTRIAL COMMUNITY
CONDUCTS A SURVEY ON ITS OWN, IN ADDITION TO AN
INDEPENDENT ONE THAT HAS SO FAR BEEN PROPOSED, THE
OUTCOME OF THE SURVEYS WILL BECOME MORE RELIABLE. IT
WILL ALSO BE POSSIBLE TO GRASP THE REAL SITUATION OF THE
SALE OF FOREIGN-MADE CHIPS.

MITI TRYING DESPERATELY TO SCRIPT A FINAL RESOLUTION
(NIHON KEIZAI - PAGE 3, JULY 28 EDITION)

"HOW CAN WE MAKE THE UNITED STATES UNDERSTAND JAPAN'S
PROPOSAL?" --. MINISTRY OF INTERNATIONAL TRADE AND
INDUSTRY OFFICIALS ARE NOW CAUTIOUSLY PROBING FOR SOME
LEEWAY (OTOSHIDOKORO) IN THE JAPAN-U.S. SEMICONDUCTOR
NEGOTIATIONS IN ORDER TO RESOLVING THE ISSUE BY THE END
OF THE MONTH AS PROMISED TO THE U.S. BY PRIME MINISTER
RYUTARO HASHIMOTO. SINCE JAPAN WILL DEFEND UNTIL DEATH

ITS PLEDGE OF "NO GOVERNMENT INTERVENTION" AND CANNOT MAKE A MAJOR CONCESSION, OFFICIALS ARE RACKING THEIR BRAINS TO ON HOW TO REWORK JAPAN'S PROPOSAL TO MAKE ITS CONTENTS APPEALING ENOUGH SO THAT THE U.S. GOVERNMENT WILL BE ABLE TO CONVINCE THE AMERICAN PEOPLE WITH IT.
UNCLAS SECTION 02 OF 07 TOKYO 006953

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 29

WITH THE AIM OF TAKING THE INITIATIVE IN THE NEGOTIATIONS, MITI HAS COME UP WITH ONE PROPOSAL AFTER ANOTHER, SUCH AS A PRIVATE-SECTOR WORLD SEMI-CONDUCTOR FORUM, A GOVERNMENT FORUM OF MAJOR COUNTRIES, AND A JOINT INDUSTRY-GOVERNMENT FORUM.

EVEN SO, WHILE THE LATEST U.S. PROPOSAL ACKNOWLEDGES JAPAN'S PROPOSAL, IT MAKES NO CHANGES IN ITS OUTSTANDING CALL FOR MONITORING THE LEVEL OF FOREIGN ENTRY INTO THE JAPANESE MARKET, SO BOTH SIDES STILL REMAIN AT ODDS.

WHENEVER MITI PRESENTED A NEW PROPOSAL, MINISTRY OFFICIALS BELIEVED THAT THEY GAVE THE U.S. A MESSAGE THAT "EVEN UNDER THE JAPANESE PROPOSAL, IT WILL BE POSSIBLE TO DISCUSS MARKET BARRIERS AND OTHER PROBLEMS AT THE GOVERNMENTAL LEVEL. THE PROPOSAL WILL BRING SATISFACTORY BENEFITS TO THE U.S." BUT A SENIOR OFFICIAL HAS GRUMBLED, "SUCH A MESSAGE HAS NEVER BEEN FULLY CONVEYED TO THE U.S."

MITI MINISTER SHUNPEI TSUKAHARA, PRIOR TO THE LAST-DITCH TALKS IN VANCOUVER, CANADA, STATED, "I HOPE BOTH SIDES WILL CONCLUDE THE TALKS WHILE RESPECTING THE OTHER SIDE'S PROPOSAL." ATTENTION IS NOW FOCUSED ON THE POINT OF HOW TO INCORPORATE THE U.S. REQUESTS IN JAPAN'S PROPOSAL.

LAST DITCH EFFORTS IN CHIP TALKS START TODAY
(NIHON KEIZAI - PAGE 3)

(VANCOUVER, CANADA, JULY 28, 1996) JAPAN AND THE UNITED STATES WILL EMBARK ON THE FINAL ROUND OF NEGOTIATIONS TODAY TO SEEK A FRAMEWORK THAT WOULD REPLACE THE BILATERAL CHIP ACCORD, DUE TO EXPIRE AT THE END OF JULY. THE MAIN THEME OF THE TALKS IS THE CONTINUATION OF THE MARKET-MONITORING SYSTEM, CENTERING ON A SHARE SURVEY, AS REQUESTED BY THE U.S. JAPAN IS NEGATIVELY REACTING TO SUCH A REQUEST, CALLING IT AN "EXAMPLE OF MANAGED TRADE."

AS A COUNTERPLAN, JAPAN WILL GIVE CONCRETE SHAPE TO ITS USUAL PROPOSAL -- A SYSTEM OF CONDUCTING A COMPREHENSIVE SURVEY OF THE MARKETS OF VARIOUS COUNTRIES, INCLUDING JAPAN TO BE FOLLOWED BY GOVERNMENT-TO-GOVERNMENT TALKS ON REMOVING MARKET BARRIERS. IT WILL EXPLAIN IT TO THE U.S. TO OBTAIN ITS UNDERSTANDING.

INTERNATIONAL TRADE AND INDUSTRY (MITI) DEPUTY VICE MINISTER SAKAMOTO AND AMBASSADOR SHAPIRO OF THE UNITED STATES TRADE REPRESENTATIVE (USTR) WILL INFORMALLY MEET ON THE 28TH TO CONFIRM THE DETAILS OF THE TALKS, AND THEN THE TWO WILL ATTEND THE SUB-CABINET-LEVEL TALKS STARTING FROM THE 29TH. MINISTERIAL-LEVEL TALKS BETWEEN MITI MINISTER SHUNPEI TSUKAHARA AND ACTING USTR BARSHEFSKY ARE SCHEDULED TO TAKE PLACE FROM THE 30TH.

DURING THE PAST NEGOTIATIONS, THE U.S. GAVE UP THE IDEA OF CONTINUING THE 20 PERCENT TARGET FOR FOREIGN-MADE CHIPS IN THE JAPANESE MARKET SET UNDER THE PRESENT ACCORD. HOWEVER, IT HAS INSTEAD REQUESTED MAINTAINING THE LEVEL OF THE LATEST RECORD 31 PERCENT SHARE AND EXPANDING IT EVEN FURTHER TO "MAINTAIN AND CONTINUE PROGRESS IN ITS MARKET-ENTRY." IN ADDITION, IT HAS REQUESTED THE CONTINUATION OF THE MARKET-MONITORING SYSTEM, UNDER WHICH BOTH THE JAPANESE AND U.S. GOVERNMENTS CONDUCT A SHARE SURVEY, BASED ON THE NATIONALITY OF CHIP MANUFACTURERS, BY COLLECTING IN-HOUSE DATA FROM PRIVATE-SECTOR FIRMS.

THE JAPANESE SIDE IS OPPOSED TO SUCH A PROPOSAL, ARGUING, "IF THE SHARE (OF FOREIGN-MADE CHIPS) DROPS, JAPAN COULD BECOME SUBJECT TO SANCTIONS FOR BREACHING THE PLEDGE." THE U.S., WHICH IS ADOPTING A RESULTS-ORIENTED TRADE STRATEGY, IS STICKING TO ITS REQUEST, NOTING, "IT IS DIFFICULT TO WITHDRAW OUR REQUEST" (GOVERNMENT AUTHORITIES). THE TWO COUNTRIES REMAIN AT ODDS OVER UNCLAS SECTION 03 OF 07 TOKYO 006953

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 29

THOSE BASIC PRINCIPLES.

THE JAPANESE SIDE HAS ALREADY PROPOSED PLANS FOR ESTABLISHING A GOVERNMENT-INITIATED MEETING OF THE GOVERNMENTS OF MAIN COUNTRIES AND A PRIVATE-SECTOR-DRIVEN WORLD SEMICONDUCTOR CONFERENCE. IN THE UPCOMING TALKS, JAPAN INTENDS TO INDICATE ITS PLAN IN DETAIL, EXPLAINING

THAT A COMPREHENSIVE SURVEY OF THE MARKET TRENDS OF VARIOUS COUNTRIES SHOULD BE CONDUCTED AT THE PROPOSED WORLD SEMICONDUCTOR CONFERENCE, BASED ON OFFICIAL DATA, AND IF THERE ARE MARKET BARRIERS THAT CANNOT BE SETTLED ON THE PRIVATE-SECTOR LEVEL, THOSE PROBLEMS SHOULD BE DISCUSSED AT THE MEETING OF THE GOVERNMENTS OF MAJOR COUNTRIES.

SHARE SURVEY:

-- U.S.-- CALLS FOR CONTINUING IT TO MEASURE PROGRESS IN ITS ENTRY INTO THE JAPANESE MARKET AND TO MONITOR THE ACCOMPLISHMENT OF ITS TARGETS.

-- JAPAN-- REJECTS IT, BECAUSE IT CAN BECOME AN EXCUSE FOR THE U.S. TO APPLY SANCTIONS, IN CASE THE SHARE OF FOREIGN CHIPS DROPS.

MEETING OF THE GOVERNMENTS OF MAJOR COUNTRIES:

-- U.S. -- AGREES TO IT, BUT A BILATERAL AGREEMENT SHOULD BE SEPARATELY CONCLUDED FIRST.

-- JAPAN -- IT SHOULD BE ESTABLISHED BY JAPAN, THE U.S. AND THE EU SO THAT GOVERNMENTS CAN FULFILL THEIR OWN ROLE.

DUMPING-PREVENTIVE MEASURES:

-- U.S. -- JAPANESE FIRMS SHOULD CONTINUE TO PRESERVE DATA ON THE PRICES AND COSTS OF PRODUCTS EXPORTED TO THE U.S. THE JAPANESE GOVERNMENTS SHOULD GUARANTEE IT.

-- JAPAN -- GOVERNMENT GUARANTEE IS NOT NECESSARY. OBLIGATION IMPOSED ON JAPANESE FIRMS ALONE LACKS A TWO-WAY NATURE.

JAPAN WILL ALSO CHECK THE U.S. MARKET, SAYS THE PRIME MINISTERPRIME MINISTER RYUTARO YESTERDAY MORNING GAVE A SPEECH AT A POLITICAL AND ECONOMIC SEMINAR HELD IN NAGOYA CITY UNDER THE SPONSORSHIP OF THE LIBERAL DEMOCRATIC PARTY AICHI PREFECTURAL FEDERATION. REFERRING TO THE ONGOING JAPAN-U.S. SEMICONDUCTOR TALKS, THE PRIME MINISTER INDICATED THAT JAPAN WOULD STICK TO ITS ASSERTION, REMARKING, "JAPAN'S MARKET IS COMPLETELY OPEN. IT IS ALL RIGHT FOR THE U.S. TO CHECK (THE JAPANESE MARKET), BUT JAPAN WILL ALSO CHECK THE U.S. MARKET."

AFTER THAT, THE PRIME MINISTER HELD A PRESS BRIEFING AT HIS OFFICE. IN REPLY TO A QUESTION ASKED BY A JOURNALIST REGARDING COMMERCE SECRETARY KANTOR'S EXPRESSION OF HIS DISSATISFACTION THAT THE NUMBER OF THE BIG THREE'S DEALERSHIPS IN JAPAN IS NOT INCREASING AS THE U.S. EXPECTED, HE REBUTTED IT, NOTING, "THE U.S. HAS CALCULATED (THE NUMBER OF DEALERSHIPS) ON ITS OWN. WE HAVE CATEGORICALLY STATED THAT WE WOULD NOT BE RESPONSIBLE FOR THAT AT ALL. IT IS REALLY A PROBLEM IF SECRETARY KANTOR STATED SUCH A THING. IT WILL HAVE IMPACT ON THE ONGOING SEMICONDUCTOR AND INSURANCE TALKS."

INSURANCE TALKS RUPTURE AS U.S. HANGS TOUGH ON THIRD-

SECTOR ENTRY ISSUE
(NIHON KEIZAI - PAGE 3, JULY 28 EDITION)

(VANCOUVER, JULY 27, YASUHIKO OTA) ON THE LAST DAY OF THE JAPAN-UNITED STATES INSURANCE WORKING-LEVEL TALKS IN VANCOUVER, CANADA, ON THE 26TH (JAPAN TIME, 27TH), JAPANESE AND U.S. NEGOTIATORS PRESENTED THEIR PROPOSALS TO THE OTHER SIDE. BUT BOTH SIDES FAILED TO BRIDGE THE GAP ON THE CONTROVERSIAL ISSUE OF WHEN TO ALLOW JAPANESE UNCLAS SECTION 04 OF 07 TOKYO 006953

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 29

INSURERS TO ENTER THE "THIRD SECTOR" THAT INCLUDES ACCIDENT INSURANCE. THE U.S. CONTINUED TO CALL FOR FREEZING SUCH ENTRY FOR THREE YEARS, WHILE JAPAN INSISTED ON LIMITING SUCH A PERIOD TO LESS THAN ONE YEAR.

AS FOR DEREGULATION IN THE LIFE AND NON-LIFE INSURANCE AREA AS WELL, THEIR STANCES REMAIN FAR APART OVER HOW TO TREAT FOREIGN INSURANCE COMPANIES THAT HAVE LEFT THE PROPERTY AND CASUALTY INSURANCE RATING ORGANIZATION DESIGNATED TO SET PREMIUM RATES, AS WELL AS OVER THE CONTENTS OF A "MONITORING SYSTEM" TO MEASURE THE PROGRESS OF LIBERALIZATION.

JAPAN AND THE U.S., BASED ON CABINET-LEVEL JUDGMENTS, WILL MAP OUT NEXT WHAT APPROACH THEY SHOULD TAKE, INCLUDING A POSSIBILITY OF EXTENDING THE DEADLINE FOR THE TALKS OR OF HOLDING CABINET-LEVEL TALKS.

A HIGH-RANKING OFFICIAL OF THE U.S. GOVERNMENT CATEGORICALLY STATED THAT THE TALKS ENDED IN FAILURE "BECAUSE OF DIFFERENT VIEWS FLOATING UP FROM THE MINISTRY OF FINANCE." SOME OFFICIALS OF THE U.S. GOVERNMENT POINT OUT THE NEED FOR A POLITICAL JUDGMENT BY THE HASHIMOTO ADMINISTRATION, POINTING THE FINGER AT BUREAUCRACY-LED NEGOTIATIONS.

FINANCE MINISTER KUBO WILL BE UNABLE TO VISIT THE U.S. BY THE JULY 31 DEADLINE DUE TO A CABINET ADOPTION OF THE FY1997 BUDGETARY REQUESTS (CEILINGS) SCHEDULED FOR THE 30TH. UNDER SUCH CIRCUMSTANCE, SOME JAPANESE OFFICIALS EXPECT A VISIT TO JAPAN BY ACTING U.S. TRADE REPRESENTATIVE BARSHEVSKY.

MORE AND MORE POLITICAL LEADERS FAVORING GENERAL ELECTION

LATE THIS YEAR (ASAHI - PAGE 2)

SPURRED BY THE STATEMENT BY LIBERAL DEMOCRATIC PARTY (LDP) SECRETARY GENERAL KOICHI KATO, WHO IS NOW VISITING THE UNITED STATES, IN WHICH HE INDICATED THE STRONG POSSIBILITY OF OCCURRING OF A RESOLUTION OF THE LOWER-HOUSE AND THE GENERAL ELECTION WITHIN THE YEAR, MEMBERS OF THE THREE RULING PARTIES ON THE 26TH BEGAN ISSUING THEIR OPINIONS IN SUCCESSION SUGGESTING "A DISSOLUTION OF THE LOWER-HOUSE THIS YEAR." IN THE PAST, KATO HAD REPEATEDLY STATED THERE WAS ONLY A LOW POSSIBILITY OF SUCH, IN ORDER TO RESTRAIN THE MOOD CALLING FOR A DISSOLUTION OF THE DIET FROM GOING AHEAD. BUT GIVEN THE DISCORD AMONG THE RULING PARTIES OVER THE OKINAWA PROBLEM AND OTHER ISSUES, HE APPARENTLY HAS JUDGED THAT HIS PARTY NEEDS TO PREPARE FOR THE GENERAL ELECTION WITH AN EARLY DISSOLUTION IN MIND. HE ALSO SEEMS TO AIM AT CHECKING THE SOCIAL DEMOCRATIC PARTY (SDP) AND SAKIGAKE PARTY, BOTH OF WHICH DISAGREE WITH HAVING AN EARLY DIET DISSOLUTION. BUT EVEN IN THESE TWO PARTIES, SOME ARE NOW HINTING AT THE CHANCE OF THERE BEING A DISSOLUTION WITHIN THE YEAR.

REGARDING THE TIMING FOR A DISSOLUTION OF THE LOWER-HOUSE, KATO FORMERLY STATED THERE WAS A POSSIBILITY OF DISSOLUTION "OCCURRING BETWEEN OCTOBER AND JANUARY OR FEBRUARY NEXT YEAR," AND AT THE SAME TIME, HE REPEATEDLY STRESSED THE LIKELIHOOD OF SUCH BEING AFTER NOVEMBER WHEN THE OKINAWA PROBLEM AND THE NURSING-CARE INSURANCE BILL ARE SETTLED BY THE EXTRAORDINARY DIET SESSION. KATO'S STATEMENT THIS TIME WAS NEGATIVE ABOUT A DISSOLUTION OF THE DIET AT THE BEGINNING OF NEXT YEAR.

IN HIS SPEECH ON THE 26TH IN SAGA CITY, SDP CHAIRMAN TOMIICHI MURAYAMA POINTED OUT: "WHEN DIETMEMBERS RETURN TO THEIR HOME TOWNS (IN SUMMER), THERE IS A POSSIBILITY THAT THE MOOD CALLING FOR A DISSOLUTION WILL BECOME STRONGER. WHEN THE EXTRAORDINARY DIET IS CONVENED, I DISSOLUTION COULD OCCUR AT ANY TIME." SAKIGAKE LEADER MASAYOSHI TAKEMURA IN IWAKUNI CITY, YAMAGUCHI PREFECTURE UNCLAS SECTION 05 OF 07 TOKYO 006953

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 29

TOLD THE PRESS: "THE POSSIBILITY OF DISSOLUTION WITHIN THE YEAR IS STRONG RATHER THAN IT OCCURRING (EARLY NEXT YEAR)." WITH THIS, HE EXPRESSED HIS VIEW THAT HIS PARTY

WOULD PREPARE FOR THE GENERAL ELECTION IN EARNEST.

OKINAWA IS LIKELY TO CONTROL THE TIMING OF THE DIET DISSOLUTION (NIHON KEIZAI - PAGE 2)

NOW THAT THE TIMETABLE FOR DEALING WITH THE OKINAWA-BASES ISSUE HAS GENERALLY BEEN DECIDED, SCENARIOS REGARDING DISSOLUTION OF THE LOWER HOUSE AND THE GENERAL ELECTION (THAT WOULD FOLLOW) ARE NOW AGAIN BECOMING A HOT TOPIC IN POLITICAL CIRCLES. THE PREVAILING OBSERVATION IN THE GOVERNMENT AND THE RULING COALITION IS THAT THE SUPREME COURT ON AUGUST 28 WOULD HAND DOWN A DECISION ON PROXY SIGNING IN FAVOR OF THE CENTRAL GOVERNMENT. BUT THE DEVELOPMENTS OF OTHER "OKINAWA" ELEMENTS, SUCH AS SEPTEMBER 8 OKINAWA REFERENDUM, THAT COULD AFFECT DIET DISSOLUTION, REMAIN MURKY AT THIS POINT.

SCENARIO 1: GOVERNOR CARRIES OUT PROXY SIGNING

ACCORDING TO THIS SCENARIO, AFTER THE SUPREME COURT HANDS DOWN A RULING IN FAVOR OF THE CENTRAL GOVERNMENT, THE GOVERNMENT AND THE RULING CAMP WOULD PRESENT A PACKAGE COVERING SUCH SPECIFICS AS 1) OKINAWA RECOVERY PACKAGE; 2) AN ALTERNATIVE SITE FOR FUTENMA AIR STATION; AND 3) A BLUEPRINT TO SHIFT U.S. BASES TO MAINLAND JAPAN.

IN THE SEPTEMBER 8 REFERENDUM, THE OKINAWANS WOULD THEN MAKE IT CLEAR THEY ARE IN FAVOR OF THE REALIGNMENT, CONSOLIDATION, AND REDUCTION OF THE U.S. BASES THERE. BUT THE OKINAWA GOVERNMENT WOULD EVALUATE HIGHLY THE CENTRAL GOVERNMENT'S PLAN SHOWN ABOVE AND GOVERNOR OTA WOULD CARRY OUT THE PROXY-SIGNING. SUCH WOULD BE THE MOST DESIRABLE SCENARIO FOR THE GOVERNMENT.

IF THE GOVERNOR CARRIES OUT PROXY SIGNING, THE COALITION CAN MAINTAIN ITS THREE-PARTY ARRANGEMENT AND CAN CONCENTRATE ON THE YF1996 SUPPLEMENTARY BUDGET DURING THE FALL DIET SESSION. IN ADDITION, THE URGENCY TO AMEND THE LEGAL SYSTEM TO SPEED UP THE LEGAL PROCESS TO LET THE U.S. ARMED FORCES CONTINUE TO USE THEIR FACILITIES MIGHT EBB TEMPORARILY. AS A RESULT, THE CONCLUSION OF THE LEGAL ISSUE MIGHT BE ABLE TO BE CARRIED OVER TO THE NEXT REGULAR DIET SESSION THAT WOULD START IN JANUARY.

LIBERAL DEMOCRATIC PARTY (LDP) SECRETARY GENERAL KOICHI KATO'S SUGGESTION IN THE UNITED STATES ABOUT A LOWER-HOUSE DISSOLUTION LATER THIS YEAR DERIVES FROM SUCH AN "AMICABLE SETTLEMENT" SCENARIO. REGARDLESS OF HOW THE LEGAL IMPROVEMENTS WOULD TURN OUT, "A DISSOLUTION THROUGH TALKS" WOULD BE THE OPTION IN NOVEMBER TOWARD THE END OF THE EXTRAORDINARY DIET SESSION.

SCENARIO 2: GOVERNOR REJECTS PROXY SINGING

IF GOVERNOR OTA CONTINUE TO REJECT PROXY-SIGNING, THE PRIORITY THEN WOULD BE ON MEASURES THAT FOLLOW THE LEGAL PROCESS. ONE OF THE CRITICAL ELEMENTS IN SETTTLING THE ISSUE WOULD BE ROLE OF THE SOCIAL DEMOCRATIC PARTY (SDP).

SDP POLICY DELIBERATION COUNCIL VICE CHAIRMAN SHIGERU ITO HAS INDICATED, "I DON'T THINK WE CANNOT FACE AN ELECTION WHEN THERE IS DISCORD IN THE RULING CAMP." HIS OBSERVATION SUGGESTS THAT GOVERNOR OTA WOULD CAVE IN TO THE CENTRAL GOVERNMENT AND CARRY OUT PROXY-SIGNING IN THE END. IN ADDITION, HIS REMARKS SUGGESTED THAT EVEN IF GOVERNOR OTA DOES NOT FOLLOW THE CENTRAL GOVERNMENT'S ORDER, THE COALITION WOULD NOT PUSH AHEAD WITH THE PLAN TO CHANGE THE LAW OUT OF CONSIDERATION TO THE SDP, AS WELL AS TO THE MAINTENANCE OF THE COALITION ARRANGEMENT.

NEVERTHELESS, "THE TIME LIMIT FOR NEXT MAY" AND THE UNCLAS SECTION 06 OF 07 TOKYO 006953

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 29

"JAPAN-U.S. RELATIONSHIP" WOULD NOT ALLOW THE GOVERNMENT TO STOP THE LEGAL PROCESS FOR THE FORCIBLE USE OF U.S. BASES. IF THE SDP AGREES TO MAKE SOME LEGAL IMPROVEMENTS FOR THE SAKE OF THE COALITION ARRANGEMENT, A LOWER-HOUSE DISSOLUTION IS POSSIBLE AT THE END OF THE FALL SESSION. IF THE SDP REJECTS LEGAL IMPROVEMENT, THE GOVERNMENT MIGHT HAVE TO SETTLE WITH PASSING ONLY THE SUPPLEMENTARY BUDGET AND THEN DISSOLVE THE DIET AS EARLY AS OCTOBER.

SCENARIO 3: GAP BETWEEN OKINAWA AND MAINLAND JAPAN EXPANDS

ONE OF THE FACTORS THAT IS MAKING THE OKINAWA ISSUE UNCLEAR IS A PSYCHOLOGICAL GAP BETWEEN "OKINAWA" AND "MAINLAND JAPAN." SOME IN OKINAWA ARE TRYING TO FIND COMMON GROUND WITH THE CENTRAL GOVERNMENT, BUT THEIR PERSONAL TIES WITH "MAINLAND JAPAN" ARE WEAK. AT THIS POINT THERE ARE BOTH OPTIMISTIC AND PESSIMISTIC VIEWS IN THE RULING CAMP REGARDING GOVERNOR OTA'S REACTION TO THE PREFECTURAL REFERENDUM. A SENIOR COALITION MEMBER PERCEIVES, "OUR EFFORTS FROM THE SUPREME COURT RULING AND THE OKINAWA REFERENDUM WOULD BE THE KEY." ABOUT TEN DAYS BETWEEN THE TWO EVENTS WOULD BE THE DIVIDING EDGE.

PROPOSAL BEING CONSIDERED TO SHIFT FUTENMA HELIPORT TO KADENA AIR BASE (ASAHI - PAGE 1, JULY 27 EDITION)

THE FOCUS OF THE ISSUE OF REDUCING THE U.S. MILITARY BASES ON OKINAWA IS NOW ON THE PROBLEM OF SHIFTING THE FUTENMA AIRFIELD'S HELIPORT TO AN ALTERNATIVE SITE.

REGARDING THIS ISSUE, IT BECAME KNOWN ON JULY 26 THAT THE GOVERNMENT HAD BEEN CONSIDERING KADENA AIR FORCE BASE FIRST ON ITS LIST OF CANDIDATE SITES AND CONTINUING TO NEGOTIATE WITH THE U.S. SIDE WHILE PROPOSING TO ABSORB THE FUTENMA AIRFIELD'S MAIN FUNCTIONS INTO KADENA AFB WITHOUT CONSTRUCTING A NEW HELICOPTER RUNWAY SINCE THE LOCAL PUBLIC HAS BEEN SHOWING A STRONG NEGATIVE REACTION TO THAT IDEA WHILE REGARDING IT AS A BLUEPRINT TO "STRENGTHEN THE BASE FUNCTIONS." THE GOVERNMENT SHOWED CONSIDERATION FOR THE SIDE OF OKINAWA PREFECTURE, TAKING IT THAT THE LOCAL PUBLIC'S NEGATIVE REACTION WOULD BE LEAST EXPECTED IN CASE THAT PLAN IS CITED. HOWEVER, THE U.S. SIDE IS STRONGLY OPPOSED TO THE KADENA AFB PLAN, AND THE JAPANESE SIDE HAS YET TO RECEIVE AN ANSWER. NOW THAT THE JAPANESE GOVERNMENT'S VIEW IS CLEAR, THE IMMEDIATE FOCUS OF THE FUTENMA SHIFT ISSUE IS ON THE U.S. SIDE'S RESPONSE TO JAPAN'S OVERTURES.

AS FOR THE PROPOSAL OF RELOCATING THE FUTENMA AIRFIELD'S HELIPORT TO KADENA AFB, THE JAPANESE SIDE SOUNDED OUT THE U.S. SIDE ON IT FOR THE FIRST TIME AT JAPAN-U.S. FOREIGN AND DEFENSE VICE MINISTERIAL TALKS HELD LATE LAST MONTH.

FURTHERMORE, THE GOVERNMENT'S JUDGMENT, ACCORDING TO A SENIOR OFFICIAL OF THE JAPAN DEFENSE AGENCY, IS THAT "IN THE CASE OF U.S. MILITARY FACILITIES IN OKINAWA PREFECTURE, ABSORPTION INTO THE KADENA AIR BASE WITHOUT CONSTRUCTING A NEW RUNWAY WILL BE MOST LIKELY TO OBTAIN THE LOCAL PUBLIC'S UNDERSTANDING." MEANWHILE, IN THE MIDDLE OF THIS MONTH, THE FOREIGN MINISTRY'S NORTH AMERICAN AFFAIRS BUREAU DIRECTOR GENERAL MASAKI ORITA AND JDA'S DEFENSE POLICY BUREAU DIRECTOR GENERAL MASAHIRO AKIYAMA VISITED THE U.S., AND THE TWO OFFICIALS THEN REQUESTED THE U.S. SIDE OVER AGAIN TO CONSIDER THE KADENA AFB PLAN.

HOWEVER, EVEN IN CASE A NEW RUNWAY IS NOT TO BE CONSTRUCTED, A SENIOR OFFICIAL OF THE FOREIGN MINISTRY PREDICTS THAT "IT WILL BE NECESSARY TO CONSTRUCT SUCH SUBSIDIARY FACILITIES AS HELICOPTER HANGARS AND REPAIR AND MAINTENANCE WORKSHOPS."

CONCERNING THE JAPANESE SIDE'S REQUEST, U.S. SECRETARY OF DEFENSE PERRY AND OTHER U.S. OFFICIALS HAVE SAID THAT THE UNCLAS SECTION 07 OF 07 TOKYO 006953

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 29

U.S. "WILL LOOK INTO EVERY POSSIBILITY." BUT THE U.S. SIDE MAY FURTHER AMPLIFY ITS VOICE AGAINST THE PROPOSAL OF MAKING JOINT USE OF THE RUNWAY.

U.S. HAS PROBLEMS WITH SHIFTING HELIPORT TO KADENA BASE (YOMIURI - PAGE 1, JULY 27 EVENING EDITION)

REGARDING THE PLAN TO CONSTRUCT AN ALTERNATIVE HELIPORT ON THE U.S. FORCES' KADENA AIR FORCE BASE IN OKINAWA PREFECTURE FOR THE FUTENMA AIRFIELD THERE, IT WAS LEARNED ON JULY 27 THAT THE U.S. SIDE HAD INDICATED ITS VIEW THAT IT WOULD BE EXTREMELY DIFFICULT TO MATERIALIZE THAT PLAN BECAUSE THE RESPECTIVE AIRWAYS OF CIVILIAN AIRCRAFT USING NAHA AIRPORT AND U.S. MILITARY HELICOPTERS WILL CROSS AND SUCH WOULD BE HIGHLY DANGEROUS. THIS WAS REVEALED BY A SOURCE IN THE U.S. EMBASSY IN JAPAN.

THE JAPANESE GOVERNMENT IS NOW PLANNING TO CONSTRUCT AN ALTERNATIVE HELIPORT ON KADENA AFB. THE PLAN IS TO CONSTRUCT AN ALTERNATIVE HELIPORT WHERE U.S. MILITARY CHOPPERS CAN TAKE OFF AND LAND WITHOUT CROSSING THE AIRWAYS OF CIVILIAN AIRCRAFT WHILE SECURING THE SAFETY OF CIVILIAN AIRCRAFT. SO, THE JAPANESE SIDE, IN THAT CASE, MAY COME UP WITH A PLAN TO RENOVATE KADENA AFB ON A LARGE SCALE THROUGH SUCH STEPS AS RELOCATING THE EXISTING FACILITIES OF KADENA AFB TO OUTSIDE THE AIR BASE.

THE FUTENMA AIRFIELD'S REVERSION IS PRECONDITIONED ON CONSTRUCTING AN ALTERNATIVE HELIPORT. AS FOR WHERE TO CONSTRUCT THAT HELIPORT, THE JAPAN-U.S. SPECIAL ACTION COMMITTEE ON FACILITIES AND AREAS IN OKINAWA (SACO) IS NOW HOLDING DISCUSSIONS. REGARDING THIS MATTER, THE SOURCE SAID THAT IN CASE AN ALTERNATIVE HELIPORT IS CONSTRUCTED ON KADENA AFB, THE TAKEOFF AND LANDING COURSE OF U.S. MILITARY HELICOPTERS AND THE APPROACHING COURSE OF CIVILIAN AIRCRAFT USING NAHA AIRPORT WILL CROSS, AND SUCH WILL BE VERY DANGEROUS FROM THE ASPECT OF OPERATION. BASED ON THIS, THE SOURCE EXPLAINED THAT "SHIFTING TO THE KADENA AIR BASE WILL BE VERY DIFFICULT."

COALITION AGREES TO CONSTRAIN 4.5 PERCENT DEFENSE SPENDING INCREASE AS BUDGET GUIDELINE (ASAHI - PAGE 2)

CHIEF OF THE POLICY AFFAIRS RESEARCH COUNCIL AND THE POLICY DELIBERATION COUNCIL OF THE THREE RULING PARTIES MET LATE YESTERDAY IN A TOKYO HOTEL TO DISCUSS THE FY1997 BUDGETARY STANDARDS (CEILINGS). AS A RESULT, THEY REACHED ACCORD TO CONSTRAIN A 4.5 PERCENT GROWTH THE JAPAN DEFENSE AGENCY (JDA) IS SEEKING REGARDING DEFENSE OUTLAYS. THEY WILL WORK OUT THE SPECIFIC SCOPE OF CONSTRICTION ON THE 29TH.

IN YESTERDAY'S SESSION, THE JDA SPELLED OUT THE DIFFICULTY TO POSTPONE PAYMENTS AND REDUCE THE NUMBER OF PERSONNEL. THE THREE RULING PARTIES ARE GOING TO MAKE ADJUSTMENT BY HEARING VIEWS FROM THE FINANCE MINISTRY POSSIBLY ON THE 29TH.

IN ADDITION, AS FOR OFFICIAL DEVELOPMENT ASSISTANCE (ODA), THE FOREIGN MINISTRY EMPHASIZED THAT IN ORDER TO MAINTAIN THIS YEAR'S LEVEL, A 4.5 PERCENT GROWTH WOULD BE NECESSARY DUE LARGELY TO THE FLUCTUATION OF THE EXCHANGE RATE. IN RESPONSE, THE SOCIAL DEMOCRATIC PARTY (SDP) CALLED FOR "QUALITATIVE REFORM OVER QUANTITATIVE IMPROVEMENT." YAMAUCHI, ACTING

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. cable	Re: July 17-18 Tokyo Visit (7 pages)	07/29/1996	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[07/24/1996 - 08/07/1996]

2016-0420-F
sb1876

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

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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. cable	Re: Support Cable for East Asia Brief (4 pages)	08/01/1996	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[07/24/1996 - 08/07/1996]

2016-0420-F
sb1876

RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
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Cable

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LINE2: ZNR UUUUU ZZH
LINE3: O 020349Z AUG 96
LINE4: FM AMEMBASSY TOKYO
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RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RUAYJAA/COMPATWING ONE KAMI SEYA JA
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RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RUEKJCS/JOINT STAFF WASHDC//J5//
RHEHAAA/WHITE HOUSE WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS AUGUST 2

TEXT:
UNCLAS SECTION 01 OF 05 TOKYO 007147

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 AUGUST 2

TOP HEADLINES:

ASAHI: SEMICONDUCTOR TALKS: ACCORD APPEARS TO BE REACHED
AT CABINET-LEVEL NEGOTIATIONS; DEADLOCKED OVER MARKET-
SHARE ISSUE AT ONE TIME; INSURANCE TALKS ALMOST AGREED
(TRANSLATION BELOW)

MAINICHI: JAPAN-U.S. TRADE NEGOTIATIONS: CHIP TALKS IN
HOME STRETCH FOR SETTLEMENT; PRIVATE-SECTOR STILL
UNHAPPY; CABINET MINISTER CONTINUES ON-AND OFF
NEGOTIATIONS ON METHOD OF SURVEY OF FOREIGN SHARE IN THE

JAPANESE MARKET; AGREEMENT ON "INSURANCE TALKS" EXPECTED

YOMIURI: SEMICONDUCTOR TALKS LIKELY TO BE SETTLED BY
POLITICAL DECISION; TALKS REMAIN DEADLOCKED OVER MARKET-
SHARE MANAGEMENT; JAPAN URGES U.S. TO MAKE A DECISION

NIHON KEIZAI: ITO CHU, KANEMATSU TO PURCHASE 22 U.S.-MADE
ULTRAMODERN BOEING AIRCRAFT AT 120 BILLION YEN; OF THEM,
18 TO BE LEASED OVERSEAS (TRANSLATION BELOW)

SANKEI: JAPAN-U.S. CHIP TALKS: TALKS EXTENDED TO REACH
AGREEMENT; CABINET MINISTER-LEVEL TALKS RESTARTED; BOTH
SIDES SHOW STANCE OF CONCESSIONS

TOKYO SHIMBUN: DEFENSE AGENCY TO OPENLY RECRUIT RESERVE
SELF-DEFENSE OFFICIALS TO EXPAND THE BOTTOM OF DEFENSE
OFFICIALS AS EARLY AS NEXT FISCAL YEAR; FOCUSING ON
UNIVERSITY STUDENTS; CRITICISM OF THE IDEA MAY FLARE UP
AGAIN, ARGUING "IT MIGHT LEAD TO "CONSCRIPTION SYSTEM"

CHIP NEGOTIATIONS NEAR AGREEMENT; WAS DEADLOCKED OVER
SHARE ISSUE (ASAHI - TOP PLAY)

(VANCOUVER, AUGUST 1, HIROAKI ITO AND KAZUFUMI KAWADO)
IN THE ONGOING JAPAN-U.S. SEMICONDUCTOR NEGOTIATIONS, THE
U.S. GOVERNMENT PRESENTED A NEW PROPOSAL ON THE EVENING
OF THE 31ST (AFTERNOON OF THE 1ST, JAPAN TIME) JUST
BEFORE THE DEADLINE SET FOR REACHING SETTLEMENT. THE
JAPANESE SIDE HAS DECIDED TO ACCEPT THE PROPOSAL IN
GENERAL OUTLINE AND STARTED DETAILED COORDINATION. THE
TALKS HAD RUN INTO A ROAD BLOCK WITH THE U.S. ADAMANTLY
INSISTING ON A MARKET- SHARE SURVEY. IN A BID TO FIND A
BREAKTHROUGH, THE TWO COUNTRIES TRIED TO STRIKE A DEAL
PURSUING CABINET-LEVEL NEGOTIATIONS JOINED BY THE PRIVATE
SECTOR AT 5:00 A.M. ON THE 1ST, BUT THE TALKS RUPTURED.
THE TALKS WERE RESTARTED AT 8:30 (0:30 A.M., AUGUST 2,
JAPAN TIME) AT THE CABINET LEVEL. IT APPEARS THAT
AGREEMENT HAS BEEN REACHED.

SAVING FACE ALSO A KEY FACTOR IN CHIP TALKS
(ASAHI - PAGE 3)

JAPAN AND THE UNITED STATES CONTINUED MARATHON
NEGOTIATIONS ON THE 1ST OVER THE JAPAN-U.S. SEMICONDUCTOR
PACT AND INSURANCE TRADE ISSUES IN VANCOUVER, CANADA.
THE MICROCHIP DEAL, WHICH LASTED 10 YEARS, EXPIRED ON
JULY 31. NEGOTIATORS MADE AN ALL-OUT EFFORT FOR A NEW
MICROCHIP AGREEMENT THROUGH THE NIGHT, WITH THE PRESTIGE
OF THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
(MITI) AND THE OFFICE OF U.S. TRADE REPRESENTATIVE (USTR)
AT STAKE.

"CHARLENE (ACTING USTR BARSHEFSKY) HAS GONE TO MAKE A
TELEPHONE CALL TO THE WHITE HOUSE."

MITI MINISTER SHUNPEI TSUKAHARA UNPLEASANTLY MADE THIS
REMARK AT 6:30 A.M. OF THE 1ST, VANCOUVER TIME (JAPAN
TIME, 10:30 OF THE 1ST). THE SEMICONDUCTOR DEAL RAN OUT

AT 9:00 P.M. OF THE 31ST. ONE NIGHT PASSED SINCE BOTH SIDES STOPPED THEIR WATCHES DUE TO CONVENIENCE BASED ON THE JUDGMENT "ALTHOUGH THE DEAL HAS LOST EFFECT, IT IS WORTH CONTINUING THE NEGOTIATIONS."

UNCLAS SECTION 02 OF 05 TOKYO 007147

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 AUGUST 2

THE MITI MINISTER ATTENDED FOUR-PARTY TALKS AMONG REPRESENTATIVES OF THE JAPANESE AND U.S. GOVERNMENTS AND INDUSTRIES AT THE ACTING USTR'S ROOM STARTING AT 5:00 A.M.

IN THE TALKS, JAPAN CONVEYED THE JAPANESE INDUSTRY'S STANCE OF NOT BEING ABLE TO ACCEPT THE U.S. REQUEST FOR ADOPTING THE "PRINCIPLE OF PLACING EMPHASIS ON THE COMPANY'S CAPITAL-BASED NATIONALITY." THIS MEANS "JAPANESE AFFILIATES OVERSEAS ARE REGARDED AS HAVING JAPANESE NATIONALITY IN CALCULATING SHARE." U.S. NEGOTIATORS ADAMANTLY INSISTED THAT "WE HAVE NO INTENTION OF ALTERING OUR PROPOSAL." THE TALKS BOGGED DOWN.

THIRTY MINUTES AFTER SHE LEFT THE ROOM AT 6:00 A.M., THE ACTING USTR HAD NOT RETURNED. THE JAPANESE NEGOTIATORS TOLD THE U.S. REPRESENTATIVES "LET US MEET AGAIN," AND LEFT.

THE MITI MINISTER STATED, "THE JAPANESE INDUSTRY ENTRUSTED NEGOTIATIONS ENTIRELY TO ME. THE FATE OF THE TALKS DEPENDS ON WHETHER THE U.S. INDUSTRY WILL LEAVE THE MATTER TO CHARLENE, ALTHOUGH I DO NOT KNOW IF EVERYTHING WILL BE SETTLED EVEN WITH THAT."

JAPANQS NEGOTIATING STYLE CHANGED IN CHIP NEGOTIATIONS
(MAINICHI - PAGE 9)

WHAT WAS EVIDENT THROUGHOUT THE JAPAN-U.S. SEMICONDUCTOR TALKS WAS THE JAPANESE GOVERNMENT'S STANCE OF "JAPAN STICKING TO ITS BASIC PRINCIPLES EVEN IF JAPAN HAS TO GIVE CONSIDERATION TO THE POLITICAL RELATIONSHIP BETWEEN THE TWO COUNTRIES." MORE SPECIFICALLY, THE "AREAS WHERE JAPAN WAS DETERMINED NOT TO MAKE ANY COMPROMISE" (INTERNATIONAL TRADE AND INDUSTRY (MITI) MINISTER SHUNPEI TSUKAHARA) MEANT: 1) NUMERICAL TARGETS FOR FOREIGN CHIP SHARES IN THE JAPANESE MARKET; 2) RESPECTING THE WORLD TRADE ORGANIZATION (WTO) RULES; AND 3) ESTABLISHMENT OF A

COOPERATIVE RELATIONSHIP BETWEEN THE TWO COUNTRIES. AS A RESULT, JAPAN HAS SUCCEEDED IN THE END IN DRAWING A COMPROMISE PLAN FROM THE U.S. GOVERNMENT, WHICH SEEMS TO HAVE EXPECTED OTHERWISE.

OVER NUMERICAL TARGETING, THE U.S. GAVE UP ON THE METHOD THAT WOULD ALLOW THE GOVERNMENT GUARANTEE "THE MAINTENANCE OF A CERTAIN SHARE AND PROGRESS" IN THE JAPANESE MARKET. RESPECTING THE WTO RULES, THE U.S. ALSO AGREED TO LAUNCHING A NEW JOINT FRAMEWORK BY THE PRIVATE SECTOR AND THE GOVERNMENT THAT WOULD REPLACE THE EXISTING BILATERAL AGREEMENT. THERE ARE SOME EVENTS THAT OCCURRED BEYOND JAPAN'S PLAN, SUCH AS THAT THE U.S. SIDE NOT COMING UP WITH A COMPROMISE PLAN UNTIL JULY 31 AND THAT THE U.S.' ADHERENCE TO THE BILATERAL ARRANGEMENT WAS UNEXPECTEDLY STRONG.

JAPAN ADOPTED NEW STRATEGIES TOWARD THE U.S. IN LAST YEAR'S AUTO AND AUTO PARTS TALKS AND CONTINUED TO REJECT THE U.S. REQUEST FOR NUMERICAL TARGETING TO THE LAST.

"THE SETTLED RICE LIBERALIZATION ISSUE, WHICH WAS WORKING AS A DRAG ON JAPAN" (MITI MINISTER) MADE IT POSSIBLE FOR JAPAN TO ADOPT A NEW NEGOTIATING STYLE. THE GLOBAL TREND OF SETTLING TRADE ISSUES MULTILATERALLY INSTEAD OF BILATERALLY THROUGH THE WTO, WHICH WAS LAUNCHED IN JANUARY LAST YEAR, ALSO HELPED JAPAN MAKE A TURNAROUND.

A SENIOR MITI OFFICIAL STRESSED: "THERE IS A 'MYTH' IN THE U.S. THAT JAPAN MAKES A COMPROMISE IN THE ELEVENTH HOUR. BUT THE AGE OF SUCH A BILATERAL RELATIONSHIP IS OVER." (YUTAKA KINOSHITA)

INDUSTRY STILL FEARS POSSIBILITY OF SANCTIONS UNDER NEW CHIP ACCORD (MAINICHI - PAGE 8)

UNCLAS SECTION 03 OF 05 TOKYO 007147

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 AUGUST 2

THE POSSIBILITY OF A SETTLEMENT OF THE JAPAN-UNITED STATES SEMICONDUCTOR ISSUE IS NOW LOOMING LARGE. THE JAPANESE INDUSTRY HAS WELCOMED IT, A MAJOR CHIP MANUFACTURER EXECUTIVE STATING, "SCRAPPING THE GOVERNMENT-TO-GOVERNMENT MANAGED-TRADE-TYPE ACCORD IS DESIRABLE." SURVEYS OF FOREIGN CHIPS' SHARE OF THE JAPANESE MARKET WILL BE CONTINUED BY THE INDUSTRY. BUT THE U.S.

GOVERNMENT'S WILLINGNESS TO MONITOR THE FOREIGN SHARE ON ITS OWN HAS LEFT RESIDUE OF CONCERN IN THE INDUSTRY, ONE EXECUTIVE OF A LEADING MANUFACTURER REMARKING, "IF THE FOREIGN SHARE DROPS, U.S. PRESSURE FOR SANCTIONS WOULD HEIGHTEN."

SINCE THE FIRST DEAL WAS CONCLUDED IN 1986, THE JAPANESE INDUSTRY HAS BEEN PLACED UNDER VARIOUS MANAGEMENT RESTRICTIONS, BASED ON THE GOVERNMENT PACT THAT "ENSURED" A MORE THAN 20 PERCENT SHARE FOR FOREIGN CHIPS IN THE JAPANESE MARKET.

IT IS TRUE THAT WHEN THE ACCORD WAS CONCLUDED, "THERE WAS NO OTHER WAY BUT TO RELY ON THE GOVERNMENTS TO DEAL WITH THE ACUTE SHOWDOWN BETWEEN THE TWO INDUSTRIES, SUCH AS THE U.S. INDUSTRY COUNTERING WITH RETALIATORY TARIFFS TO JAPANESE COMPANIES' PRICE-CUT STRATEGY PARTAKING OF DUMPING IN THE U.S. MARKET" (LEADING FIRM EXECUTIVE). IN THE EARLY 1990'S, HOWEVER, U.S. COMPANIES REGAINED THEIR COMPETITIVENESS AND THE NUMBER OF TIE-UPS BETWEEN JAPANESE AND U.S. COMPANIES SOARED.

DESPITE SUCH A DRASTIC CHANGE IN THE ENVIRONMENT SURROUNDING THE MICROCHIP INDUSTRY, THE SITUATION CONTINUED UNDER THE U.S. GOVERNMENT'S CLOSE WATCH OVER DUMPING PRACTICES WHERE "(JAPANESE COMPANIES) HAVE NOT BEEN ALLOWED TO SET PRICES ON THEIR OWN ACCORD" (INDUSTRIAL SOURCE)." DURING SUCH A PERIOD, SOUTH KOREAN MANUFACTURERS TOOK THE LEAD IN THE GLOBAL MEMORY-CHIP MARKET. FOR SURE, THE STRONG ILL OF THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY WAS AT WORK, BUT KEEPING SUCH A "BITTER EXPERIENCE" IN MIND, EXECUTIVES IN THE JAPANESE INDUSTRY CONTINUED TO DECLINE THE U.S. CALL FOR GOVERNMENT INVOLVEMENT DURING A SERIES OF PRIVATE-SECTOR TALKS STARTING THE BEGINNING OF THIS YEAR.

GENERAL AGREEMENT REACHED IN INSURANCE TALKS
(ASAHI - PAGE 1)

(VANCOUVER, AUGUST 1, HIROAKI ITO) IN THE JAPAN-UNITED STATES INSURANCE TALKS, INTERNATIONAL FINANCE BUREAU DIRECTOR GENERAL EISUKE SAKAKIBARA OF THE FINANCE MINISTRY (MOF) AND AMBASSADOR SHAPIRO OF THE OFFICE OF THE U.S. TRADE REPRESENTATIVE (USTR) ENGAGED IN ON-AND-OFF NEGOTIATIONS FROM THE 31ST THROUGH THE 1ST. THE CONFRONTATION BETWEEN TWO COUNTRIES HAS CENTERED ON THE U.S.' REQUEST OF JAPAN TO EASE RESTRICTIONS ON LIFE INSURANCE AND NON-LIFE INSURANCE (FIRST AND SECOND SECTORS) AND THE JAPANESE SIDE'S ASKING THE U.S. TO ALLOW IT APPROVE MARKET-ENTRY INTO THE THIRD SECTOR BY NON-INSURANCE SUBSIDIES OF JAPANESE LIFE INSURERS. AGREEMENT NOW APPEARS TO HAVE BEEN REACHED.

IN LAST DITCH NEGOTIATIONS, JAPAN PRESENTED A LIBERALIZATION PLAN FOR AUTO INSURANCE AS A DEREGULATORY PROPOSAL. THE PROPOSAL NOTES THAT MAIL-ORDER INSURANCE SALES AS REQUESTED BY AMERICAN INSURER AIU FOR OVER TWO YEARS BE APPROVED AND THAT INSURANCE PREMIUMS CAN BE

DIFFERENTIATED ACCORDING TO THE CONDITION OF THE APPLICANTS. REGARDING SUCH LIBERALIZATION, MOF'S POLICY LINE IS THAT IT WILL APPROVE DIFFERENTIATING INSURANCE PREMIUMS ACCORDING TO APPLICANTS' AGE. HOWEVER, IT WAS RELUCTANT TO APPROVE SUCH LIBERALIZATION BASED ON THE LOCALITY WHERE APPLICANTS LIVE AND THEIR GENDER. COORDINATION CONTINUED TO BRIDGE THE GAP.

ITO CHU AND KANEMATSU TO BUY 22 JET AIRCRAFT FROM BOEING
UNCLAS SECTION 04 OF 05 TOKYO 007147

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 AUGUST 2

(NIHON KEIZAI - TOP PLAY)

THE TRADING COMPANIES C. ITOH AND KANEMATSU-GOSHO WILL PURCHASE THE U.S. COMPANY BOEING'S LATEST B737 AND B800 AIRCRAFT -- 12 OF THE FORMER AND 10 OF THE LATTER. THE COMBINED AMOUNT OF PURCHASES COMES TO APPROXIMATELY 1.1 BILLION DOLLARS (120 BILLION YEN). THE TWO FIRMS ARE PLANNING TO LEASE 18 UNITS TO FOREIGN AIRLINE COMPANIES UNDER AN OPERATING LEASE FORMULA. THE LEASING OF AIRCRAFT HAS BEEN STAGNANT DUE TO THE AVIATION DEPRESSION WHICH KICKED IN DURING THE 1990'S, BUT THIS YEAR DEMAND IS PICKING UP A RESULT OF AIR CARRIERS' RECOVERING THEIR PROFITS AND EARNINGS. THE PROJECTION FOR THE AIRCRAFT MARKET, ACCORDING TO BOEING, IS THAT THERE WILL BE DEMAND FOR MORE THAN 15,000 UNITS OVER THE NEXT 20 YEARS.

U.S. OFFICIAL TELLS RULING PARTIES HELIPORT TRANSFER TO KADENA A.F.B. IS DIFFICULT (ASAHI - PAGE 2)

U.S. DEPUTY ASSISTANT SECRETARY OF DEFENSE CAMPBELL, A VISITING U.S. OFFICIAL IN CHARGE OF ADMINISTRATIVE AFFAIRS FOR THE ISSUE OF REALIGNING AND REDUCING THE U.S. MILITARY BASES ON OKINAWA, MET WITH THE LIBERAL DEMOCRATIC PARTY'S SECRETARY GENERAL KOICHI KATO AND ALSO WITH LDP POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN TAKU YAMASAKI AND THE SOCIAL DEMOCRATIC PARTY'S POLICY BOARD CHAIRMAN SHIGERU ITO. THE FOCUS OF THE BASE REDUCTION ISSUE IS NOW ON THE PROBLEM OF RELOCATING THE FUTENMA AIRFIELD'S HELIPORT (FUNCTIONS) TO AN ALTERNATIVE SITE. IN THIS CONNECTION, THE JAPANESE SIDE TOLD THE U.S. SIDE THAT THE JAPANESE GOVERNMENT WAS GIVING FIRST CONSIDERATION TO A PLAN FOR ABSORBING IT INTO KADENA AIR FORCE BASE, BUT CAMPBELL STATED THAT IT WOULD BE DIFFICULT TO RELOCATE FUTENMA'S HELIPORT TO KADENA AFB.

YET, JAPAN INTENDS TO SEEK THE IDEA OF ABSORPTION INTO KADENA TO THE LAST, PARTLY IN ORDER TO OBTAIN OKINAWA PREFECTURE'S UNDERSTANDING. ACCORDINGLY, THE PROBLEM OF FUTENMA EVACUATION IS GOING TO BE HIGHLIGHTED AT CONSULTATIONS BETWEEN JAPAN AND THE U.S. OVER THE PROPOSAL OF ABSORPTION INTO KADENA.

AS FOR THE PLAN TO ABSORB THE FUTENMA AIRFIELD'S HELIBORNE TROOPS INTO KADENA AFB, THE PROPOSED IDEA IS TO MAKE USE OF THE TWO EXISTING RUNWAYS OF KADENA AFB, INSTEAD OF CONSTRUCTING A NEW RUNWAY FOR HELICOPTERS.

CAMPBELL IN THE SERIES OF TALKS INDICATED A STANCE OF ADDRESSING THE FUTENMA RELOCATION ISSUE IN A POSITIVE WAY. HOWEVER, HE FROWNED ON ACCEPTING THE JAPANESE PROPOSAL, REMARKING: "THE ALTITUDE AND SPEED OF AIRCRAFT WITH FIXED WINGS, SUCH AS JET PLANES, ARE EXTREMELY DIFFERENT FROM THOSE OF HELICOPTERS, AND THEIR MAKING JOINT USE OF A BASE IS TECHNICALLY DANGEROUS FROM THE VIEWPOINT OF OPERATION." IN THE U.S., MANY OF THOSE IN THE MILITARY POINT OUT SECURITY PROBLEMS ABOUT THE KADENA ABSORPTION PROPOSAL. SO, CAMPBELL'S REMARKS HAVE NOW MADE CLEAR THE U.S. SIDE'S PRESENT VIEW.

CAMPBELL ALSO SAID TO THE RULING PARTIES' OFFICIALS, "THE PROPOSAL OF RELOCATION TO KADENA AIR BASE IS HARDLY ACCEPTABLE TO THE UNITED STATES. IT MAY BE BACKED BY OKINAWA'S STRATEGIC IDEA THAT THEY WANT THE U.S. FORCES THERE TO WITHDRAW IN THE FUTURE." SO SAYING, HE EXPRESSED A FEELING OF DISTRUST TOWARD THE JAPANESE SIDE'S RESPONSE, ACCORDING TO ONE OF THOSE OFFICIALS.

FOR THE JAPANESE GOVERNMENT, HOWEVER, THE KADENA ABSORPTION PROPOSAL IS THE RESULT OF A HARD-PRESSED JUDGMENT. SO, THE JAPANESE GOVERNMENT'S POSITION, ACCORDING TO A SENIOR OFFICIAL OF THE JAPAN DEFENSE AGENCY, IS THAT "JAPAN CANNOT ACCEPT A PROPOSAL FOR CONSTRUCTING A NEW RUNWAY SO AS TO AVOID FURTHER FIXING OF THE BASES, AND NOW THERE IS NO OPTION BUT TO PROPOSE ABSORPTION BY KADENA."

UNCLAS SECTION 05 OF 05 TOKYO 007147

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 AUGUST 2

O-157 BACTERIA EPIDEMIC: JDA TO DISPATCH MEDICAL TEAM TO HELP (SANKEI - PAGE 2)

O-157 E. COLI EPIDEMIC SPREADING

THE JAPAN DEFENSE AGENCY (JDA) AS OF YESTERDAY NOTIFIED THE NATIONAL DEFENSE MEDICAL COLLEGE HOSPITAL (NDMCH) (TOKOROZAWA CITY, SAITAMA PREFECTURE) TO RESPOND TO LOCAL GOVERNMENTS' REQUESTS TO TAKE IN PATIENTS AND CONDUCT MEDICAL EXAMINATIONS TO PUT A LID ON THE SPREADING O-157 E. COLI EPIDEMIC. IN ORDER TO PREVENT THE FURTHER SPREAD OF THE EPIDEMIC, THE JDA SINCE LATE LAST MONTH HAS BEEN MAKING PREPARATIONS TO LET SUCH DIALYZER-EQUIPPED HOSPITALS AS THE NDMCH, THE SELF-DEFENSE FORCES CENTRAL HOSPITAL (SDFCH) (SETAGAYA WARD, TOKYO) AND THE SDFCH SAPPORO, TO ACCEPT PATIENTS.

THE JDA HAS BEEN REPLYING TO INQUIRIES FROM VARIOUS LOCAL BODIES THAT "SDF HOSPITALS ARE CAPABLE OF ACCEPTING PATIENTS" (SANITATION DEPT.) IN CASE CITY HOSPITALS CANNOT ACCOMMODATE THEM.

ACCORDING TO THE JDA LAW ARTICLE 100, THE JDA CAN DISPATCH ITS EPIDEMIC CONTROL UNIT IN RESPONSE TO REQUESTS FROM LOCAL GOVERNMENTS.

HEALTH AND WELFARE MINISTRY WAS HESITANT ABOUT DESIGNATING THE FOOD POISONING AS A LEGAL EPIDEMIC; VICE MINISTER OKAMITSU: "THERE WAS NO PRECEDENCE ..."

HEALTH AND WELFARE VICE ADMINISTRATIVE MINISTER NOBUHARU OKAMITSU HELD A PRESS MEETING YESTERDAY AFTERNOON REGARDING THE APPLICATION OF THE INFECTIOUS DISEASES PREVENTION LAW TO THE FOOD POISONING CAUSED BY O-157 E. COLI. IN THE SESSION, OKAMITSU NOTED, "THE MINISTRY SEEMED TO HAVE BALKED AT APPLYING THE LAW BECAUSE THERE WAS NO PRECEDENCE." HIS COMMENT SUGGESTED THAT THE MINISTRY WAS HESITANT ABOUT DESIGNATING THE FOOD POISONING AS A LEGAL EPIDEMIC FOR THERE WAS NO SUCH A CASE PREVIOUSLY.

VICE MINISTER OKAMITSU ALSO REMARKED, "PREVIOUSLY, MANY BELIEVED THAT REVISING THE FOOD SANITATION LAW WAS ENOUGH TO COPE WITH THE DISEASE." HE THUS REVEALED THAT THE MINISTRY HAD ORIGINALLY JUDGED THAT THE APPLICATION OF THE INFECTIOUS DISEASES PREVENTION LAW WAS NOT NECESSARY.

FOREIGN MINISTRY DENIES ODA STATEMENT BY ITS SECRETARIAT CHIEF (SANKEI - PAGE 2)

FOREIGN MINISTRY PRESS OFFICER HIROSHI HASHIMOTO IN A PRESS CONFERENCE LAST NIGHT REFERRED TO AN ARTICLE CARRIED BY THE SANKEI SHIMBUN'S MORNING EDITION ABOUT THE BUDGET REQUEST CEILINGS SET FOR FISCAL 1997. HE THEN STATED: "(FOREIGN MINISTRY'S) SECRETARIAT DIRECTOR GENERAL KOICHI HARAGUCHI HAS NOT MADE ANY SUCH REMARK THAT WAS CARRIED IN THAT ARTICLE. IT IS EXTREMELY REGRETTABLE BECAUSE ARTICLE IS COMPLETELY CONTRARY TO THE FACT."

BASED ON ITS NEWS COVERAGE FROM THOSE WHO ARE CONNECTED WITH THE LIBERAL DEMOCRATIC PARTY (LDP), THE SANKEI SHIMBUN REPORTED THAT IN CONNECTION WITH THE SLASHING OF GROWTH IN OFFICIAL DEVELOPMENT ASSISTANCE (ODA) SPENDING, MOFA SECRETARIAT DIRECTOR-GENERAL HARAGUCHI TOLD AN LDP HIGH-RANKING OFFICIAL ON JULY 31: "THE LDP'S FOREIGN-POLICY CLIQUE (GAIKO ZOKU) LACK UNDERSTANDING (FOR ODA). UNLESS WE PUT TOGETHER A NEW SUPPORT GROUP (FOR ODA PROGRAMS), WE WILL NOT BE ABLE TO DO MUCH." YAMAUCHI, ACTING

SECT: SECTION: 01 OF 05
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SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS AUGUST 5

TEXT:
UNCLAS SECTION 01 OF 08 TOKYO 007201

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 AUGUST 5

TOP HEADLINES:

ASAHI: "OPPOSITION" SHOWN AGAINST NUCLEAR PLAN BY A BIG
MARGIN IN FIRST TOWN REFERENDUM; BLOW TO NUCLEAR POWER
POLICY; TOWN HEAD SAYS, "I WILL NOT SELL A SINGLE LAND
LOT"

NIHON KEIZAI: RANKING SYSTEM FOR FINANCIAL INSTITUTIONS
TO BE ADOPTED; RATIO OF NET WORTH OF TOTAL CAPITAL AND
RISK MANAGEMENT AS YARDSTICKS; FINANCE MINISTRY PLANNING
IMPLEMENTATION FROM NEXT FISCAL YEAR; LOW-RANK

INSTITUTIONS TO BE INSPECTED EVERY YEAR

TOKYO SHIMBUN: RESIDENTS SAY "NO" TO CONSTRUCTION OF NUCLEAR POWER PLANT; MORE THAN 60 PERCENT OPPOSED IN MAKI TOWN, NIIGATA PREF.; RESTUDY OF ENERGY POLICY NOW URGED IN FIRST TOWN REFERENDUM; MIGHT AFFECT ANOTHER REFERENDUM IN OKINAWA PREFECTURE; TOWN HEAD SAYS, "I WILL NOT SELL A SINGLE LAND LOT"

MAINICHI: "NO" TO CONSTRUCTION OF NUCLEAR POWER PLANT IN FIRST LOCAL REFERENDUM IN JAPAN; MORE THAN 60 PERCENT SHOW OPPOSITION

YOMIURI: SOUTH AFRICAN THUGWANE WINS A "GOLD MEDAL" IN OLYMPIC MEN'S MARATHON; ATLANTA OLYMPICS WILL CLOSE TODAY

SANKEI: IN OLYMPIC MEN'S MARATHON, SOUTH AFRICAN THUGWANE WINS VICTORY; JAPAN'S TANIGUCHI IS 19TH -- TOP AMONG JAPANESE RUNNERS

BEHIND THE SCENES OF THE MARATHON TALKS TO REACH AGREEMENT ON CHIPS
(NIHON KEIZAI - PAGE 3, AUG. 3 EDITION)

"MARATHON NEGOTIATIONS" HAVE CONTINUED IN THE JAPAN-UNITED STATES SEMICONDUCTOR TALKS BEYOND THE INITIAL NEGOTIATION DEADLINE SET FOR JULY 31. COMPLICATED SCENES OF EXCHANGES WERE SEEN DURING THE TALKS WITH THE FOUR PARTIES -- THE JAPANESE AND U.S. GOVERNMENTS AND INDUSTRIAL COMMUNITIES -- JOINING HANDS WITH EACH OTHER AT ONE TIME OR BEING AT ODDS AT ANOTHER. THIS NEWSPAPER LOOKS BACKSTAGE AT THE NEGOTIATIONS.

(VANCOUVER, YASUHIKO OTA) SHE IS OUR "COLLEAGUE;" DESIRES TO CHANGE VIEWS TOWARD JAPAN; SETTLEMENT WOULD HAVE BEEN EASIER IF ONE-ON-ONE

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) HANGS TOUGH, AIMING AT "COMPLETE VICTORY" "SHE HAS GIVEN IT HER BEST SHOT, WORKING TO PERSUADE THE INDUSTRY WHILE CONSIDERING JAPAN'S SITUATION." IN THEIR TJTE-@-TJTE HELD ON THE EVENING OF JULY 30, AVOIDING THE PRESS CORPS, MITI MINISTER TSUKAHARA AND ACTING UNITED STATES TRADE REPRESENTATIVE (USTR) BARSHEFSKY BECAME "COLLEAGUES," WHOSE COMMON ENEMY WAS THE AMERICAN INDUSTRY. THE MITI MINISTER OFTEN SHOWED SYMPATHY FOR HER, LATER REMARKING, "I FELT SORRY FOR HER, GIVEN HER DIFFICULT TASK (TO PERSUADE) THE AMERICAN INDUSTRY." HOWEVER, JAPAN'S REQUESTS WERE, IN FACT, FAIRLY TOUGH. MITI'S POLICY LINE WAS: "IT IS BETTER TO STICK TO (OUR POLICY STANCE) TO THE END" (MITI DEPUTY VICE MINISTER SAKAMOTO) UNTIL THE U.S. SIDE CONCEDES AND THE SITUATION "IS ALMOST INNOCUOUS" (SAKAMOTO).

AT WORK BEHIND MITI'S APPROACH WAS THE DESIRE TO "CHANGE THE U.S.' CONVENTIONAL VIEW OF A JAPAN THAT GIVES IN AT THE END" (SENIOR MITI OFFICIAL). CALCULATING THE REAL SITUATION WAS THAT THE U.S. "IS EAGER TO CUT A DEAL,"

MITI ANALYZED THE AGREEMENT DRAFT IN DETAIL WITH A U.S. LAWYER IN AN EFFORT TO SCUTTLE THE POSSIBILITY OF THE U.S. ISSUING SANCTIONS. AS A RESULT, MITI HAS WON AN ALMOST COMPLETE VICTORY THAT IS IN ACCORD WITH THE JAPANESE PROPOSAL.

UNCLAS SECTION 02 OF 08 TOKYO 007201

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 AUGUST 5

TOP EXECUTIVES OF PRIVATE SECTOR ATTENTIVE TO EACH OTHERPAT WEBER, CHAIRMAN OF THE U.S. SEMICONDUCTOR INDUSTRY ASSOCIATION (SIA), IS THE VICE CHAIRMAN OF TEXAS INSTRUMENTS (TI), A LEADING AMERICAN CHIP MANUFACTURER. HE IS LEADING TI'S INTERNATIONAL STRATEGY, BUT HE IS IN FACT VERY CLOSE TO TSUGIO MAKI, CHAIRMAN OF THE ELECTRONIC INDUSTRIES ASSOCIATION OF JAPAN (EIAJ) ELECTRONIC DEVICE OFFICERS COUNCIL, WHO HAS ENGAGED IN HEATED ARGUMENTS WITH HIM DURING THE SERIES OF NEGOTIATIONS.

DURING THE PROCESS OF ON-AND-OFF NEGOTIATIONS THAT HAVE LASTED FROM FEBRUARY THIS YEAR, THE TWO TOP EXECUTIVES ENCOURAGED EACH OTHER MANY TIMES, NOTING, "WE COULD EASILY SETTLE A PROBLEM LIKE THIS IF IT IS LEFT FOR US TO DECIDE."

WEBER IS VERY POPULAR AMONG EIAJ-CONNECTED PERSONS AS AN "AMICABLE AND MAGNANIMOUS COWBOY." HE INTENTLY COORDINATED VIEWS ON THE U.S. SIDE, TALKING TO STEVE APPLETON, CHAIRMAN OF MICRON TECHNOLOGY, WHO WAS KNOWN AS A HARD-LINER IN THE NEGOTIATIONS THIS TIME, TO GET HIM TO AGREE WITH HIS APPROACH. MANEUVERING AMONG THE U.S. HARD-LINERS THROUGH JOINT EFFORTS BY JAPAN AND THE U.S. BROUGHT THE NEGOTIATIONS TO A SETTLEMENT.

NEGOTIATIONS DELICATELY INTERLINKED WITH "PROMOTION ISSUE"

ONE OF THE REASONS FOR THE LAST-MINUTE DEADLOCK IN THE CHIP NEGOTIATIONS IS THAT THE NEGOTIATIONS WERE CLOSELY INTERLINKED WITH THE ISSUE OF THE PROMOTION OF ACTING USTR BARSHEFSKY. SHE WAS SCHEDULED TO BE PROMOTED FROM "ACTING" USTR AND DESIGNATED AS OFFICIAL "REPRESENTATIVE" ON THE 2ND, THE DAY AFTER THE ORIGINAL NEGOTIATION DEADLINE. SOME VIEWED THAT SHE ASSUMED A TOUGH STANCE IN THE HOME STRETCH FOR THE PURPOSE OF PRODUCING "RESULTS"

IN THE NEGOTIATIONS WITH JAPAN AS A "SOUVENIR" OF HER PROMOTION.

ONE U.S. GOVERNMENT OFFICIAL REVEALED THAT A "VERY IMPORTANT MEETING" BETWEEN PRESIDENT CLINTON AND THE ACTING USTR WAS ARRANGED FOR THE 2ND. IT APPEARS THAT THE ARRANGEMENT WAS TO FORMALLY ANNOUNCE HER APPOINTMENT, AFTER THE PRESIDENT DIRECTLY CONVEYED IT TO HER. THE PRESIDENT WAS SCHEDULED TO HOLD A PRESS CONFERENCE ON THE MORNING OF THE 2ND. THE POSSIBILITY IS, THEREFORE, THERE WAS THE ARRANGEMENT FOR ANNOUNCING THE OUTCOME OF THE NEGOTIATIONS WITH JAPAN AND THE PROMOTION OF ACTING USTR BARSHEFSKY AT THE SAME TIME DURING THIS NEWS CONFERENCE.

IF THE STALEMATED NEGOTIATIONS WERE BROUGHT TO A SUCCESSFUL END, IT WOULD BE A GREAT ACHIEVEMENT FOR HER. ONE MIGHT SAY THAT THE ACTING USTR'S AMAZINGLY TENACIOUS PERSISTENCE AT THE ELEVENTH HOUR WAS TO BE FOUND THERE.

THIS TIME AS CHIP TALKS WENT TO THE WIRE, THE PRIME MINISTER SAT IN OUT
(NIHON KEIZAI - PAGE 2, AUG. 3 EDITION)

PRIME MINISTER RYUTARO HASHIMOTO CONTINUED TO BE "CALM" ALL ALONG DURING CHIPS TALKS BETWEEN JAPAN AND THE UNITED STATES. HIS JUDGMENT SEEMS TO HAVE BEEN THAT THE CHIP TALKS, COMPARED WITH AUTO NEGOTIATIONS, IN WHICH HE AS MINISTER OF INTERNATIONAL TRADE AND INDUSTRY HAD ENGAGED, CARRIED LESS WEIGHT AT THIS POINT IN THE ENTIRE JAPAN-U.S. RELATIONSHIP. IN ADDITION, HE CALCULATED THAT CHANCES WERE SLIM THAT A FAILURE WOULD BRING A FATAL WOUND POLITICALLY, AND AT THE SAME TIME THAT EVEN IF HE INVOKED THE "LEADERSHIP OF THE PRIME MINISTER'S OFFICE" BY BRINGING HIMSELF TO THE FOREFRONT OF BILATERAL TALKS, HE WOULD NOT SCORE MANY POINTS.

UNCLAS SECTION 03 OF 08 TOKYO 007201

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 AUGUST 5

ALOOF FROM SUCH NEGOTIATIONS, THE PRIME MINISTER ON AUGUST 2 DECIDED TO TAKE A "DAY OFF" AS SCHEDULED. AND AT 9:30 P.M., HE INSUTRUCTED OVER THE PHONE MITI'S MACHINERY AND INFORMATION INDUSTRIES BUREAU DIRECTOR GENERAL WATANABE: "I WILL TAKE RESPONSIBILITY WHATEVER RESULT COMES OUT. SO DO WHAT YOU THINK IS BEST!" WITHOUT WAITING FOR ANY SETTLEMENT TO COME TO HIM, HE AT

10:00 P.M. WENT TO BED, SAYING, "I HAVE TO GET UP EARLIER TOMORROW (THE 3RD) BECAUSE I'M PLAYING GOLF." IN ADDITION, HIS AIDES ALSO EXPRESSED A COOL VIEW: "THE U.S. ABSOLUTELY CANNOT ALLOW A FAILURE IN THE TALKS" OR "THESE ARE NOT NEGOTIATIONS THAT COME UP TO THE PRIME MINISTER'S OFFICE. THESE ARE DETAILED DISCUSSIONS."

IN THE JUNE G-7 INDUSTRIALIZED NATIONS SUMMIT (LYON SUMMIT), THE PRIME MINISTER WAS INVITED BY PRESIDENT CLINTON TO A TJTE-@-TJTE, WHERE IT WAS DECIDED TO AIM AT REACHING SETTLEMENT IN THE CHIP TALKS BY THE END OF JULY. BUT IN MID-JULY, IRRITATED AT THE STALEMATE IN NEGOTIATIONS, HASHIMOTO SENT A PERSONAL LETTER TWICE TO THE PRESIDENT, ASKING FOR AN EARLY SETTLEMENT THROUGH A "POLITICAL DECISION."

BUT AS FOR THE CONTENTS OF BILATERAL TALKS, HE ASSUMED THE POSTURE OF LEAVING THEM TO RELEVANT AGENCIES, NOT CARING AT ALL ABOUT OBSERVATIONS AT HOME AND ABROAD THAT "HE MIGHT AIM AT A REHASH" OF "THE PRIME MINISTER'S LEADERSHIP" AS WAS STAGED BY HIMSELF IN REALIZING THE DECISION TO RETURN THE U.S. MILITARY'S FUTENMA AIR STATION IN OKINAWA. CONJECTURING THAT A RUPTURE WOULD BRING ABOUT MUCH MORE DAMAGE TO THE U.S. PRESIDENT, WHO WOULD LIKE TO PUBLICIZE THE "RESULTS" OF HIS FOUR-YEAR-TERM OF OFFICE IN THE PRESIDENTIAL CAMPAIGN, THE PRIME MINISTER ADOPTED A WAIT-AND-SEE TACTIC FROM BEGINNING TO END IN ANTICIPATION OF THE U.S. SIDE'S MAKING CONCESSIONS.

FINANCE MINISTRY UP BLIND ALLEY AS INSURANCE TALKS RUPTURE (NIHON KEIZAI - PAGE 4, AUG. 3 EDITION)

THE BREAKING OFF OF THE JAPAN-UNITED STATES INSURANCE TALKS HAS LEFT THE MINISTRY OF FINANCE (MOF) HOLDING A TIME-BOMB. THE REASON IS BECAUSE THE DATE IS STEADILY APPROACHING ON WHICH THE NON-LIFE SUBSIDIARIES OF LIFE INSURANCE COMPANIES WILL BE GIVEN PERMISSION TO SELL ACCIDENT INSURANCE. COMPROMISE IS NECESSARY IF NEGOTIATIONS ARE TO SPEEDILY REACH AGREEMENT BEFORE THE APPROVALS START. OTHERWISE, THE TALKS CAN ONLY END IN FAILURE IF APPROVALS ARE ISSUED FIRST.

ORIGINALLY, THE REASON WHY A DEADLINE FOR NEGOTIATIONS BETWEEN JAPAN AND THE U.S. WAS SET TO END IN JULY WAS BECAUSE THAT WOULD ALLOW TIME FOR NON-LIFE INSURERS TO BEGIN OPERATIONS IN OCTOBER, BASED ON THE NEW INSURANCE INDUSTRY LAW. MOF'S THINKING IS TO FIRST ALLOW THE ESTABLISHMENT OF SUBSIDIARIES AS EARLY AS THE BEGINNING OF THE WEEK, AND TO PERMIT THEM TO SELL THEIR PRODUCTS IN AUGUST.

THE PROBLEM IS PERMISSION TO SELL ACCIDENT INSURANCE. CONFRONTATION DURING THE INSURANCE TALKS CENTERED ON JAPAN INSISTING ON EARLY ENTRY OF NON-LIFE SUBSIDIARIES INTO THE ACCIDENT INSURANCE MARKET, AND THE U.S. SEEKING A THREE-YEAR FREEZE ON ENTRIES. IF BEFORE THE TALKS REACH A RESOLUTION, MOF GOES THROUGH WITH THE BASIC

POLICY PLAN AND ALLOWS NON-LIFE INSURERS TO ENTER THE ACCIDENT INSURANCE MARKET, TALKS WILL INEVITABLY END IN FAILURE. THE OFFICE OF THE U.S. TRADE REPRESENTATIVES (USTR) HAS HINTED AT POSSIBLE TRADE SANCTIONS AGAINST JAPAN.

HOWEVER, IF JAPAN EXPEDITES THE TALKS, IT IS CERTAIN THAT THE U.S. WOULD BE UNDER PRESSURE TO MAKE MAJOR CONCESSIONS.

UNCLAS SECTION 04 OF 08 TOKYO 007201

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 AUGUST 5

ON THE 2ND, WHEN USTR DECLARED A "TRUCE" UNTIL SEPTEMBER, MOF WARNED, "IF WE CAN'T RESOLVE THIS IN AUGUST, WE WILL ALLOW SALES OF ACCIDENT INSURANCE BY NON-LIFE SUBSIDIARIES OF LIFE INSURERS." ON CAUSE OF MOF'S CAUTION IS ITS REALIZATION THAT THE AMBIGUITY IN THE SETTLEMENT DOCUMENT IN THE 1994 BILATERAL INSURANCE ACCORD INVITED THE CURRENT STATE OF CONFUSION. IF IT SHOWED, EVEN A LITTLE, A STANCE OF SHELIVING THE PROBLEM OF AUTO INSURANCE BEFORE NEGOTIATIONS RESOLVED IT, THE U.S. WOULD LIKELY MOVE TO EXTEND THE TALKS.

FINANCE MINISTRY SOURCE: INSURANCE TALK COMPROMISE PROPOSAL "COULD BE WITHDRAWN"

AN MOF SOURCE RESPONSIBLE FOR THE INSURANCE NEGOTIATIONS EXPRESSED HIS THINKING ON THE 2ND REGARDING SUCH PROPOSALS BY THE U.S. AT VANCOUVER AS REMOVING THE BAN ON DIRECT TELEMARKETING SALES OF AUTOMOBILE INSURANCE: "IT IS POSSIBLE THAT IT WILL BE WITHDRAWN AS A CONCESSIONAL CARD." HE INDICATED THAT IN HIS VIEW THE NEGOTIATIONS "WILL BE EVEN TOUGHER IF RESTARTED." ON THE TIME-FRAME FOR RESTARTING TALKS, HE SAID, "THE JAPANESE SIDE HAS REQUESTED THEY BE RESTARTED AS SOON AS POSSIBLE, BUT THE U.S. CHERISHES ITS SUMMER VACATIONS." HIS VIEW WAS THAT THE TALKS WOULD NOT BE RESTARTED UNTIL EARLY SEPTEMBER.

COMMERCE SECRETARY KANTOR CORRECTS REMARK ON JAPANQS OBLIGATIONQ TO OPEN AUTO DEALERSHIPS
(YOMIURI - PAGE 6, AUG. 3 EDITION)

IN CONNECTION WITH THE PROBLEM OF UNITED STATES SECRETARY OF COMMERCE KANTOR HAVING STATED THAT AN EXPANSION OF AMERICAN AUTO DEALERS IN JAPAN WAS THE "JAPANESE SIDE'S

OBLIGATION," UNDER THE AGREEMENT LAST SUMMER IN AUTO AND AUTO PARTS NEGOTIATIONS, THE SECRETARY HAS CORRECTED HIS STATEMENT, EXPLAINING TO JAPANESE AMBASSADOR TO THE U.S. KUNIHICO SAITO, "I NEVER SAID IT WAS (JAPAN'S) OBLIGATION." THIS WAS REVEALED AT A PRESS CONFERENCE HELD ON THE 2ND BY FOREIGN MINISTRY'S PRESS OFFICER HIROSHI HASHIMOTO.

ACCORDING TO HASHIMOTO, SECRETARY KANTOR ON JULY 25 STATED: "THE JAPANESE GOVERNMENT IS OBLIGED TO SEE THAT THE LARGE AMERICAN AUTOMAKERS (THE BIG THREE) OPEN AT LEAST 200 DEALERS IN JAPAN UNDER THE BILATERAL AUTO AGREEMENT." REGARDING SUCH A STATEMENT, AMBASSADOR SAITO LODGED A PROTEST WITH HIM, ARGUING, "ESTABLISHING 200 DEALERS IS THE U.S. SIDE'S EXPECTATION. THE JAPANESE GOVERNMENT HAS NOTHING TO DO WITH THAT. I AM SURPRISED AT SUCH A STATEMENT BY SECRETARY KANTOR, WHO WAS IN CHARGE OF THAT NEGOTIATIONS. IT IS REGRETTABLE."

YAMAGUCHI PREFECTURE GUBERNATORIAL WIN BOOSTS LDP FERVOR FOR NEXT GENERAL ELECTION (MAINICHI - PAGE 2)

THE LIBERAL DEMOCRATIC PARTY (LDP) PREFECTURAL FEDERATION-BACKED CANDIDATE SEKINARI NII'S OVERWHELMING VICTORY OVER AKIRA FUKIDA, A FORMER SHINSHINTO (NEW FRONTIER PARTY) LOWER-HOUSE MEMBER, IN YESTERDAY'S YAMAGUCHI GUBERNATORIAL ELECTION HAS GIVEN MOMENTUM TO THE LDP IN PREPARATION FOR THE NEXT GENERAL ELECTION. HOWEVER, WITH ANOTHER GUBERNATORIAL ELECTION COMING UP (ON OCTOBER 27) IN OKAYAMA, WHICH IS LDP PRESIDENT (AND PRIME MINISTER) RYUTARO HASHIMOTO'S HOME TURF,), HOW YESTERDAY'S RESULTS WILL AFFECT THE TIMING FOR A LOWER-HOUSE DISSOLUTION AND GENERAL ELECTION REMAINS TO BE SEEN. MEANWHILE, THE SHINSHINTO IS LIKELY TO BE PRESSED TO REEXAMINE ITS ELECTION STRATEGY.

NII'S VICTORY HELPED EASED TENSIONS AT LDP HEADQUARTERS. THAT IS BECAUSE NII HAD TO FACE THE ELECTION BACKED ONLY BY THE LDP FEDERATION, WHICH WAS AN UNUSUAL SITUATION, DUE TO HIS ESTRANGEMENT WITH THE LDP HEADQUARTERS.
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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 AUGUST 5

THE LDP HEADQUARTERS' RELUCTANCE TO SUPPORT NII RESULTED FROM THE CONCERN THAT THE RESULTS OF THE GUBERNATORIAL

ELECTION IN YAMAGUCHI, THE PREFECTURE THAT HOUSES IWAKUNI MARINE AIR STATION -- ONE OF THE POSSIBLE ALTERNATIVE SITES FOR SOME FUNCTIONS OF U.S. FUTENMA AIR STATION ON OKINAWA -- MIGHT SHAKE THE HASHIMOTO ADMINISTRATION'S FOUNDATION. "WE REACHED A CONCLUSION THAT SUPPORTING ONE OF THEM (FUKIDA OR NII) WOULD NOT BE GOOD TO SETTLE THE OKINAWA ISSUE" (HIROMU NONAKA, DEPUTY SECRETARY GENERAL).

GENERAL AFFAIRS BUREAU CHIEF KATSUHIKO SHIRAKAWA LATE YESTERDAY NOTED WITH CONFIDENCE ABOUT THE OUTCOME: "SUCH WOULD NOT HAVE BEEN POSSIBLE IF OUR PARTY'S SETUP HAD NOT RECOVERED STEADILY." THE TRUTH IS THAT THE PARTY'S STRATEGY TO AVOID A HEAD-ON COLLISION WITH FUKIDA HELPED DRAW CONSERVATIVE VOTES.

MEANWHILE, THE SHINSHINTO ORIGINALLY TRIED TO FACE THE ELECTION WITHOUT UNDERSCORING ITS POLICY IMPRINT. THE REASON WAS SIMPLE: "WE EXPECTED THAT MR. FUKIDA WAS ABLE TO OBTAIN THE LDP'S SUPPORT INFORMALLY" (SENIOR MEMBER). IT CAN BE SAID THAT THE SHINSHINTO AIMED AT A "CONSERVATIVE-CONSERVATIVE" POLICY LINE SINCE IT SUFFERED A DEFEAT IN LAST YEAR'S ELECTION FOR A YAMAGUCHI SEAT IN THE UPPER HOUSE AND BECAUSE FUKIDA, FROM EASTERN YAMAGUCHI, LACKED POPULARITY THROUGHOUT THE PREFECTURE.

THE SHINSHINTO, HOWEVER, FAILED TO DRAW VOTES CRITICAL OF THE LDP DUE PARTLY TO THE PROTRACTED STRUGGLE BETWEEN FUKIDA AND LOWER-HOUSE MEMBER MATSUOKA MASUO, WHO IS SECRETARY GENERAL OF THE SHINSHINTO YAMAGUCHI FEDERATION. SECRETARY GENERAL TAKASHI YONEZAWA ISSUED A STATEMENT PROMISING "A STRONGER ELECTION SYSTEM." NEVERTHELESS, IT IS A FACT THAT YESTERDAY'S ELECTION HAS THROWN A WET BLANKET OVER THE SHINSHINTO'S ELECTION STRATEGIES FOR THE NEXT ELECTION. CRITICISM AGAINST THE PARTY LEADERSHIP MIGHT GAIN GROUND. (AKIO NAKAJIMA, KEN YAMADA)

MOVE TO TOPPLE LDP SECRETARY GENERAL KATO OVER SHADY CAMPAIGN CONTRIBUTIONS RESURFACES (TOKYO SHIMBUN -PAGE 2)

IN THE LIBERAL DEMOCRATIC PARTY (LDP), PARTICULARLY AMONG SENIOR MEMBERS, A MOVE TO SEEK SECRETARY GENERAL KOICHI KATO'S RESIGNATION HAS REEMERGED AIMING AT THE RESHUFFLE OF PARTY POSTS IN SEPTEMBER. THE DIRECT CAUSE IS HIS LOSS IN THE LAWSUIT FILED TO RESTORE HIS REPUTATION OVER "ILLEGAL DONATIONS." WITH THE SHINSHINTO (NEW FRONTIER PARTY) STEPPING UP ITS OFFENSIVE TOWARD CLARIFYING HIS INVOLVEMENT, THE ENVIRONMENT SURROUNDING KATO MAY BECOME EVEN MORE SEVERE.

KATO'S APPEARANCE BEFORE THE DIET IN JUNE AS AN UNSWORN WITNESS REGARDING HIS ALLEGED RECEIPT OF 10 MILLION YEN FROM THE STEEL MAKER KYOWA HELPED HIM SURMOUNT THE SCANDAL. IN ADDITION, PRIME MINISTER RYUTARO HASHIMOTO'S REMARKS SUPPORTING KATO HAVE ALSO HELPED PUT A LID ON THE MOVE SEEKING KATO'S RESIGNATION. IN FACT, THOSE CLOSE TO KATO HAVE BEGUN TO MOVE TO LET KATO KEEP HIS JOB, REASONING, "THE CASE IS CLOSED COMPLETELY" (MEMBER CLOSE TO KATO).

IN THE LAWSUIT, HOWEVER, THE FORMER HEAD OF KATO'S SUPPORT GROUP CONFRONTED HIM, CLAIMING "WHAT HE ASSERTED IS NOT TRUE. HIS ASSERTION (RENOUNCING HIS RECEIPT OF 10 MILLION YEN) GIVES THE WRONG IMPRESSION THAT I (WHO WAS THERE WHEN KATO RECEIVED THE MONEY) POCKETED THE 10 MILLION YEN." THE LAWSUIT ENDED WITHOUT KATO MAKING ANY REFUTATION. IT WAS A COMPLETE DEFEAT.

KATO HAS DENIED ANY WRONGDOING, REPEATING HIS CLAIM, "I REVEALED THE TRUTH AT THE DIET." NEVERTHELESS, THE IMAGE THAT "HE RAN AWAY FROM THE LAWSUIT" (MID-RANKING LDP MEMBER) IS UNDENIABLE. CRITICISM HAS APPEARED IN THE UNCLAS SECTION 06 OF 08 TOKYO 007201

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 AUGUST 5

SOCIAL DEMOCRATIC PARTY (SDP) AND THE SAKIGAKE PARTY, WHICH HAVE BEEN BACKING KATO AS A KEY MEMBER IN THE LDP-SDP-SAKIGAKE ARRANGEMENT, SOME SAYING, "DO WE WANT TO END THIS SCANDAL IN AN AMBIGUOUS FORM?" (YUKIO HATOYAMA, SAKIGAKE SECRETARY GENERAL).

IN RESPONSE TO THE DECISION IN THE LAWSUIT, THE SHINSHINTO HAS AGAIN HIT THE LDP WITH ANOTHER DEMAND FOR KATO'S APPEARANCE IN THE DIET AS AN WITNESS AND ALSO CALLED FOR HOLDING A MEETING OF THE LOWER-HOUSE POLITICAL ETHICS ADVISORY COUNCIL TO GET TO THE TRUTH.

IF THE SHINSHINTO STEPS UP ITS OFFENSIVE TOWARD THE KATO, SENIOR DIETMEMBERS, WHO ARE DISSATISFIED WITH KATO'S SDP-SAKIGAKE-ORIENTED MANAGEMENT STYLE, MAY ALSO GEAR UP THEIR DRIVE TO REMOVE KATO FROM HIS PRESENT POST FOR THE NOBLE CAUSE, "WE CANNOT FIGHT ELECTIONS WITH A SCANDAL-RIDDEN KATO."

IN ADDITION, WITH SOME IN THE LDP AIMING TO FORM A NEW "CONSERVATIVE-CONSERVATIVE ALLIANCE" WITH THE SHINSHINTO, THE DRIVE TO TOPPLE KATO MIGHT GAIN STRENGTH FURTHER, WITH A POSSIBLE LOWER-HOUSE DISSOLUTION AND THE NEXT GENERAL ELECTION APPROACHING.

PRIME MINISTER IN A SUMMER VACATION MOOD; WANTS LONG HOLIDAY LIKE U.S. AND EUROPE (SANKEI - PAGE 3)

PRIME MINISTER RYUTARO HASHIMOTO ON AUGUST 2 TOOK A "COMPENSATORY DAY OFF" FOR GOING ON STUMPING TOURS ON

WEEKENDS RECENTLY. HE JUST DID SOME SHOPPING. HE DID NOT GO INTO THE OFFICE. CHIEF CABINET SECRETARY SEIROKU KAJIYAMA ALSO RETURNED TO HIS HOME TOWN, IBARAKI PREFECTURE, THAT AFTERNOON. THE PRIME MINISTER'S RESIDENTIAL OFFICE (KANTEI) HAS NOW ENTERED ITS "SUMMER VACATION" SEASON.

THE CABINET MINISTERS WILL MEET ONLY THREE TIMES DURING AUGUST -- THEY USUALLY MEET TWICE A WEEK ON EVERY TUESDAY AND FRIDAY. THE CHIEF CABINET SECRETARY WILL HOLD A PRESS BRIEFING IN THE MORNING ONLY -- NORMALLY HE MEETS THE PRESS TWICE A DAY. THERE WILL BE NO PRESS CONFERENCES FROM THE 8TH THROUGH 19TH.

BEFORE LEAVING FOR THE CENTRAL AND LATIN AMERICA LATE THIS MONTH, THE PRIME MINISTER WILL ONLY ATTEND EVENTS-CONNECTED TO THE ANNIVERSARY OF THE END OF WORLD WAR II, INCLUDING VISITS TO HIROSHIMA ON THE 6TH AND NAGASAKI ON THE 9TH. SINCE HIS PREDECESSORS TOOK ABOUT 10 DAYS FOR "THEIR SUMMER VACATIONS" AROUND THE BUDDHIST BON FESTIVAL, ONE AIDE STATED: "THE TIME HAS COME FOR A JAPANESE PRIME MINISTER TO TAKE A LONG VACATION, SIMILAR TO THOSE ENJOYED BY EUROPEAN AND AMERICAN LEADERS."

FOREIGN MINISTER POLICY OFFICIAL TO ROK ON 18TH AS TROUBLE SHOOTER ON BILATERAL ISSUES
(NIHON KEIZAI - PAGE 2, AUG. 4 EDITION)

IT HAS BEEN DECIDED THAT HIROSHI HIRABAYASHI, HEAD OF THE CABINET COUNCILLORS' OFFICE ON EXTERNAL AFFAIRS, WILL VISIT THE REPUBLIC OF KOREA (ROK) AUGUST 18 AND 19 TO MEET WITH YU JONG HA, CHIEF SECRETARY IN CHARGE OF DIPLOMACY AND SECURITY (AT THE CABINET LEVEL) OF THE BLUE HOUSE (PRESIDENTIAL OFFICE) AND FOREIGN MINISTER KONG NO MYONG.

AN OFFICIAL OF THE JAPANESE EMBASSY IN SEOUL STATED, "HIS VISIT IS A PART OF A ROUND OF TRIPS TO ASIAN COUNTRIES, SO HE DOES NOT HAVE ANY SPECIAL PURPOSE IN MIND." ALTHOUGH JAPANESE AND ROK DIPLOMATS HAVE CLOSE CONTACTS, THE BLUE HOUSE HAS NO JAPAN EXPERT ON ITS STAFF.

SOME BELIEVE THAT SUCH A FACTOR LED TO THE DISPUTE LAST YEAR OVER JAPAN'S HISTORICAL PERCEPTION. AS FOR
UNCLAS SECTION 07 OF 08 TOKYO 007201

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 AUGUST 5

HIRABAYASHI'S TRAVEL TO THE ROK, IT IS THOUGHT HE AS AN OFFICIAL IN CHARGE OF DIPLOMACY IN THE PRIME MINISTER'S OFFICE AIMS AT FORGING A COMMUNICATION CHANNEL WITH CHIEF SECRETARY YU JONG HA OF THE BLUE HOUSE.

JAPAN AND THE ROK WILL START NEGOTIATIONS SOON UNDER THE UNITED NATIONS CONVENTION ON THE LAW OF SEA REGARDING THE DEMARCATION OF AN EXCLUSIVE ECONOMIC ZONE, WHICH IS CONNECTED TO THE ISSUE OF HEGEMONY OVER THE TAKESHIMA ISLANDS (OR TOKDO ISLANDS IN KOREAN). IN ADDITION, A CRITICAL TIME IS APPROACHING FOR THE TWO COUNTRIES TO COOPERATE IN POLICY TOWARD THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA).

IN THE PAST, THE JAPAN-ROK OR ROK-JAPAN PALIAMENTARIAN LEAGUES HAVE FUNCTIONED AS A COMMUNICATION BACK-CHANNELS, BUT THESE ORGANS NOW HAVE LOST THEIR CAPABILITY TO SETTLE PENDING ISSUES BECAUSE OF GENERATIONAL CHANGE ON THE ROK SIDE. THE NECESSITY IS THEREFORE POINTED OUT OF DEEPENING RELATIONS WITH THE STAFF OF THE BLUE HOUSE, WHICH HAS INFLUENCE OVER DECISION-MAKING BY PRESIDENT KIM YOUNG SAM. (ICHIRO ISHIKAWA IN SEOUL)

SACO MEETING: U.S. STRONGLY AGAINST KADENA ABSORBING FUTENMAQS HELIPORT (ASAHI - PAGE 2, AUG. 3 EDITION)

THE JAPAN-U.S. SPECIAL ACTION COMMITTEE ON (FACILITIES AND AREAS IN) OKINAWA (SACO) HELD A MEETING OF ITS WORKING GROUP AT THE MINISTRY OF FOREIGN AFFAIRS ON AUGUST 2 TO DISCUSS THE ISSUE OF REALIGNING AND REDUCING THE U.S. MILITARY BASES ON OKINAWA. REGARDING THE FOCUSED PROBLEM OF WHERE TO TRANSFER THE FUTENMA AIRFIELD'S HELIPORT (FUNCTIONS), THE JAPANESE SIDE AGAIN PROPOSED THE IDEA OF ABSORPTION INTO KADENA AIR FORCE BASE, BUT THE U.S. SIDE INDICATED A STRONG RELUCTANCE, REMARKING: "IT HAS BIG PROBLEMS FROM THE ASPECT OF SAFETY AND (BASE) OPERATION INCLUDING NOISE, AND WE CAN HARDLY THINK OF A SOLUTION THAT CAN SATISFY SUCH PROBLEMS." HOWEVER, THE JAPANESE SIDE AGAIN REQUESTED THE U.S. SIDE TO CONSIDER THE PROPOSAL, AND THE U.S. SIDE CONSENTED TO MAKE A FURTHER REVIEW OF THE POSSIBILITY OF THE PROPOSED IDEA. BOTH SIDES HAVE ALSO AGREED TO HOLD ANOTHER MEETING IN EARLY SEPTEMBER.

NO BREAKTHROUGH

(COMMENTARY) THE ISSUE OF RELOCATING THE FUTENMA AIRFIELD'S HELIPORT, NOW BEING FOCUSED ON IN CONNECTION WITH THE PROBLEM OF REALIGNING AND REDUCING THE U.S. MILITARY BASES ON OKINAWA, HAS ENTERED INTO SPECIFIC CONSULTATIONS BETWEEN JAPAN AND THE U.S. FOR AN ALTERNATIVE SITE, BEGINNING WITH A WORKING GROUP MEETING OF THE JAPAN-U.S. SPECIAL ACTION COMMITTEE ON OKINAWA (SACO) ON AUGUST 2. THE JAPANESE GOVERNMENT INTENDS TO CALL FOR THE IDEA OF ABSORPTION INTO KADENA AFB TO THE LAST FOR ITS JUDGMENT THAT "IT IS EASILY ACCEPTABLE TO OKINAWA." YET THE U.S. SIDE WAS HIGHLY RELUCTANT ABOUT

THE IDEA, AND BOTH SIDES FAILED TO FIND A KEY TO A SOLUTION OF THE ISSUE. THE JAPANESE GOVERNMENT IS NOW BEING COMPELLED TO CARRY OUT THE DIFFICULT WORK OF CHECKING INTO CONDITIONS FOR RELOCATION THAT CAN TIDE OVER THE PROBLEMS POINTED OUT BY THE U.S. SIDE WITHIN THE SCOPE OF THE KADENA PLAN, IN THE DIRECTION OF CONSULTATIONS TO BE HELD THIS SEPTEMBER BETWEEN THE TWO COUNTRIES' OFFICIALS FOR FOREIGN AND DEFENSE AFFAIRS, WHILE IN CONSIDERATION OF THE U.S. AND OKINAWA PREFECTURE SIDES' RESPECTIVE VIEWS.

ACCORDING TO AN OFFICIAL PRESENT AT THE WORKING GROUP MEETING, KADENA WAS THE ONLY CANDIDATE SITE SPECIFIED AT THE WORKING GROUP MEETING. THE OFFICIAL SAYS THE U.S. SIDE, WHICH HAD BEEN SOUNDED OUT BY THE JAPANESE SIDE THROUGH THE RULING COALITION'S EXECUTIVE OFFICERS, REMARKED FIRST THAT THE PROPOSED IDEA WOULD BE "EXTREMELY UNCLAS SECTION 08 OF 08 TOKYO 007201

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 AUGUST 5

DIFFICULT."

AS REASONS FOR THE U.S. SIDE'S FROWNING ON THE PROPOSED IDEA OF ABSORPTION INTO KADENA, THE U.S. SIDE NOTES SUCH POINTS AS: (1) PROBLEMS ABOUT SAFETY, (2) ANTI-NOISE MEASURES, (3) RELATIONS WITH THE LOCAL MUNICIPALITIES, AND (4) OBSTACLES TO CARRYING OUT OPERATIONS. PARTICULARLY, THOSE IN THE (U.S.) MILITARY ARE STRONGLY CALLING FOR (ALTERNATIVE) FUNCTIONS ON A PAR WITH THE FUTENMA AIRFIELD, AS AN OFFICER AT THE HEADQUARTERS OF THE U.S. FORCES IN JAPAN REMARKS, "WE WILL LOSE OUR OPERATIONAL READINESS AND CAPABILITY BOTH IN PEACETIME AND EMERGENCY." THE U.S. SIDE IS ALSO HESITANT ABOUT PLACING TWO DIFFERENT MILITARY ORGANIZATIONS, NAMELY KADENA'S AIR FORCE AND FUTENMA'S MARINE CORPS, AT THE SAME BASE.

AT THE WORKING GROUP MEETING, THE JAPANESE SIDE JUST REQUESTED THE U.S. SIDE TO "CONTINUE TO LOOK INTO THE POSSIBILITY," AND THEN DID NOT REBUT THE U.S. SIDE'S FEAR.

IN APRIL, PRIME MINISTER RYUTARO HASHIMOTO AND U.S. AMBASSADOR TO JAPAN MONDALE AGREED TO THE REVERSION OF FUTENMA WITHIN FIVE TO SEVEN YEARS. ON THAT OCCASION, THE JAPANESE AND U.S. SIDE CONFIRMED A COURSE OF ACTION

TO "CONSTRUCT A HELIPORT ON A U.S. MILITARY BASE CURRENTLY EXISTING IN OKINAWA IN ORDER TO MAINTAIN THE IMPORTANT CAPABILITIES AND FUNCTIONS OF THE FUTENMA AIRFIELD." SO, IF THE U.S. SIDE COMES TO ASK FOR MAINTAINING THE FUNCTIONS, IT THEN WOULD BE DIFFICULT FOR THE JAPANESE SIDE TO DEFY SUCH A REQUEST. MOREOVER, THE MATTER WILL BE ENTANGLED WITH SUCH DELICATE PROBLEMS AS SAFETY AND NOISE.

ON THE OTHER HAND, THE GOVERNMENT IS NOW BEING SADDLED WITH ANOTHER BIG PROBLEM. IN OTHER WORDS, THE GOVERNMENT CANNOT CHOOSE TO REACH A JAPAN-U.S. AGREEMENT ON AN ALTERNATIVE SITE THAT CANNOT BE EXPECTED TO OBTAIN OKINAWA'S UNDERSTANDING. THE GOVERNMENT IS NOW AIMING TO FIND AN ALTERNATIVE SITE BY SEPTEMBER. IN CASE OF FAILURE, HOWEVER, EVEN THE APRIL AGREEMENT ON FUTENMA'S RETURN MAY BE CALLED OFF. SO, THE GOVERNMENT IS NOW GROPING FOR THE POSSIBILITY OF OTHER CANDIDATE SITES. FOR NOW, HOWEVER, THE GOVERNMENT ACTUALLY CANNOT FIND ANY CANDIDATE SITES THAT CAN BE NEGOTIATED WITH OKINAWA, OTHER THAN THE KADENA ABSORPTION PLAN. YAMAUCHI, ACTING

SECT: SECTION: 01 OF 08

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DIST:

SIT: CULLIN FETIG JOHNSON KRISTOFF MOFFETT PRITCHARD SUETTINGER
SIT: NSC

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
006. cable	Re: Discussion on August 2, 1996 (4 pages)	08/06/1996	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[07/24/1996 - 08/07/1996]

2016-0420-F
sb1876

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

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
007. cable	Re: Meetings with Japanese Politicians (9 pages)	08/06/1996	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[07/24/1996 - 08/07/1996]

2016-0420-F
sb1876

RESTRICTION CODES

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
008. cable	Re: Okinawa Base Issues: Tokyo Visit (11 pages)	08/07/1996	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[07/24/1996 - 08/07/1996]

2016-0420-F
sb1876

RESTRICTION CODES

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

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