

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	Re: Support Cable for East Asia Brief 97/010 (3 pages)	01/13/1997	P1/b(1)
002. cable	Re: Landfill Heliport (3 pages)	01/13/1997	P1/b(1)
003. cable	Re: January 13-15 Visit to Tokyo (7 pages)	01/16/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
NSC Cables
January 1997-Dec 1998 ([Futenma])
OA/Box Number: 520000

FOLDER TITLE:

[12/13/1996 - 01/16/1997]

2016-0420-F
sb1892

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

b(1) National security classified information [(b)(1) of the FOIA]
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b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Cable

PREC: ROUTINE
CLASS: UNCLASSIFIED
LINE1: RAAUZYUW RUEDMCA6652 3480734-UUUU--RHEHAAX.
LINE2: ZNR UUUUU ZZH TAO
LINE3: R 131001Z DEC 96
LINE4: FM AMCONSUL NAHA
OSRI: RUEDMCA
DTG: 131001Z DEC 96
ORIG: AMCONSUL NAHA
TO: RUEHC/SECSTATE WASHDC 0000
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RUEKJCS/JOINT STAFF WASHINGTON DC
RUEHKO/AMEMBASSY TOKYO//1189//
INFO: RHHMUNA/USCINCPAC HONOLULU HI//FPA/00//
RHHMHAH/CINCPACFLT PEARL HARBOR HI//00//
RUHEHMS/COMMARFORPAC//CG/DCG/PAO//
RUEACMC/CMC WASHINGTON DC//PP&O/DIRPA/POLAD/PA//
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RUAHYAF/5AF YOKOTA AB JA
RUATJHU/CDRUSARJ-IX CORPS CP ZAMA JA//APAJ-CG/GE//
RUHGOAA/COMSEVENTHFLT//00//
SUBJ: LOCAL PARTIES PLAN RALLY AGAINST BASE RELOCATION
TEXT:

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

UNCLAS SECTION 01 OF 02 NAHA 0676

SENSITIVE BUT UNCLASSIFIED

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

E.O. 12958:N/A

TAGS: MARR, PGOV, PREL, JA

SUBJECT: LOCAL PARTIES PLAN RALLY AGAINST BASE RELOCATION

REFS: A) FBIS OW0612053296 B) 95 NAHA 0583 (DTG 231001Z
OCT 95)

1. SENSITIVE BUT UNCLASSIFIED. PROTECT ACCORDINGLY.

SUMMARY

2. A COALITION OF OKINAWA'S LEFT-OF-CENTER POLITICAL
PARTIES IS HOPING TO DRAW 20,000 PEOPLE TO A RALLY DECEMBER
21 TO PROTEST THE RELOCATION OF U.S. MILITARY BASES,
ESPECIALLY FUTENMA MARINE CORPS AIR STATION (MCAS), WITHIN

OKINAWA (REF A). WHILE THERE ARE SOME PARALLELS BETWEEN THIS PLANNED RALLY AND THE LARGE RALLY HELD OCTOBER 21, 1995 IN THE WAKE OF THE RAPE CASE, THE UPCOMING RALLY IS CERTAIN TO DRAW A MUCH SMALLER CROWD, AND TO GARNER SUPPORT FROM A FAR NARROWER CROSS-SECTION OF OKINAWAN SOCIETY, THAN LAST YEAR'S RALLY. WE EXPECT THIS RALLY, LIKE THE PREVIOUS ONE, TO BE PEACEFUL. END SUMMARY.

3. THE DECEMBER 21 RALLY WAS PROPOSED BY THE SOCIAL DEMOCRATIC PARTY (SDP)-AFFILIATED MEMBERS OF THE OKINAWA PREFECTURAL ASSEMBLY, AND IS BEING BACKED BY THE JAPAN COMMUNIST PARTY (JCP), OKINAWA SOCIALIST MASSES PARTY (OSMP), KOMEI OKINAWA AND OTHER MINOR REFORMIST PARTIES, AS WELL AS SOME LABOR UNIONS AND MUNICIPAL GOVERNMENTS. THE LIBERAL DEMOCRATIC PARTY (LDP) AND NEW FRONTIER PARTY (NFP) HAVE DECLINED TO PARTICIPATE. THIS RALLY WILL BE HELD AT THE SAME PARK WHERE THE OCTOBER 1995 RALLY TOOK PLACE, BUT ORGANIZERS SAY THEY ARE HOPING FOR A TURNOUT OF 20,000, FAR LESS THAN LAST YEAR'S EVENT. (NOTE: THE ORGANIZERS OF LAST YEAR'S RALLY CLAIMED A TURNOUT OF 85,000, A VASTLY INFLATED NUMBER THAT HAS SINCE BEEN SANCTIFIED BY THE NEWS MEDIA. THE POLICE ESTIMATED 58,000, A FIGURE WHICH INCLUDED MANY PEOPLE NEAR BUT NOT ACTUALLY AT THE RALLY SITE (REF B). END NOTE.)

4. THIS MONTH'S RALLY WILL LIKELY BE ATTENDED ALMOST ENTIRELY BY TRADITIONAL REFORMIST (I.E., LEFT-OF-CENTER) ANTI-BASE POLITICAL FORCES, WHEREAS THE EARLIER RALLY REPRESENTED ALMOST THE ENTIRE OKINAWAN POLITICAL SPECTRUM. THE FOCUS OF THIS RALLY WILL BE OPPOSITION TO THE RELOCATION OF U.S. MILITARY FACILITIES WITHIN OKINAWA. SINCE THE CENTERPIECE OF THE RECENT FINAL SACO REPORT IS THE RELOCATION OF FUTENMA'S HELIPORT TO A SITE OFF THE EAST COAST OF OKINAWA, THE RALLY WILL ESSENTIALLY REJECT THE SACO REPORT. THE LOCAL CHAPTER OF THE LDP HAS PUBLICLY WELCOMED THE SACO DECISIONS, AND DECLINED TO JOIN IN THE UPCOMING RALLY. THE LOCAL NFP WAS NOT AS OPENLY SUPPORTIVE OF THE SACO REPORT AS THE LDP, BUT ALSO WILL SKIP THE RALLY. ONLY 13 OF THE 53 MAYORS WILL PARTICIPATE THIS TIME. IRONICALLY, ONE OF THE 13 IS MAYOR TOBARU OF GINOWAN CITY, HOME OF FUTENMA MCAS, AND THE CITY WHICH SUPPOSEDLY HAS THE MOST TO GAIN FROM THE SACO REPORT. MAYOR HIGA OF NAGO CITY, CONSIDERED MOST LIKELY TO RECEIVE THE REPLACEMENT HELIPORT, HOWEVER, HAS PUBLICLY INDICATED THAT HE WILL NOT PARTICIPATE.

5. A PREFECTURAL OFFICIAL TOLD US, AND GOVERNOR OTA HIMSELF HINTED PUBLICLY, THAT HE WOULD NOT BE ABLE TO PARTICIPATE IN THIS RALLY, AS IT WAS BEING SPONSORED ONLY BY CERTAIN PARTIES, AND HAD NOT BEEN ENDORSED BY THE PREFECTURAL ASSEMBLY AS A WHOLE. THE ORGANIZERS LATER PUBLICLY SAID THEY UNDERSTOOD THE GOVERNOR'S POSITION, AND WOULD NOT SEEK TO HAVE HIM PARTICIPATE. COMMENT: SINCE GOVERNOR OTA HAS INDICATED TO THE PRESS THAT HE WILL NOT OBJECT TO THE SACO RELOCATIONS IF THE RECEIVING COMMUNITIES ACCEPT THEM, THE RALLY WILL IMPLICITLY REPUDIATE OTA'S OWN POSITION. MOST MEMBERS OF THE GENERALLY CONSERVATIVE BUSINESS COMMUNITY SUPPORT THE SACO PLAN TO ONE DEGREE OR

ANOTHER, BECAUSE THEY SEE IT AS A REALISTIC WAY OF MAINTAINING A NECESSARY U.S. MILITARY PRESENCE WHILE EASING BASE BURDENS ON THE OKINAWAN PEOPLE. THEY ALSO REALIZE THAT THE ECONOMIC CONTRIBUTIONS OF THE BASES TO THE OKINAWAN ECONOMY CANNOT BE EASILY REPLACED, AND IN SOME CASES THEIR BUSINESSES STAND TO PROFIT FROM THE CONSTRUCTION OF THE NEW FACILITIES.

6. FOR THE GENERAL POPULATION AS WELL, THIS RALLY WILL PROBABLY SPARK LIMITED INTEREST. THE STRONG EMOTIONS AROUSED BY THE RAPE CASE HAVE DIED DOWN, AND "OPPOSE BASE RELOCATION WITHIN OKINAWA" JUST DOESN'T INSPIRE INTENSE POPULAR FERVOR. WE BELIEVE A LARGE IF SILENT SEGMENT OF THE OKINAWAN PEOPLE SEE THE SACO REPORT AS A REASONABLE COMPROMISE, AND THE RELOCATION OF HELICOPTER OPERATIONS TO A MORE REMOTE LOCATION AS A REAL IMPROVEMENT. EVEN WITH THEIR LOWER EXPECTATIONS, THERE IS A CHANCE THE DECEMBER 21 RALLY COULD PROVE AN EMBARRASSING FLOP FOR ANTI-BASE GROUPS. THE LACK OF A BROAD POLITICAL BASE FOR THIS RALLY, THOUGH, REMOVES MUCH OF THE NEED FOR MODERATION ON THE PART OF THE REFORMIST GROUPS LEFT RUNNING THE SHOW. THIS COULD RESULT IN MORE STRIDENT COMMENTS AND DEMANDS THAN WE SAW IN THE LAST RALLY. NEVERTHELESS, THERE IS NO REASON TO

BELIEVE THIS MONTH'S RALLY WILL BE ANYTHING OTHER THAN PEACEFUL.
O'NEILL//

UNCLAS SECTION 02 OF 02 NAHA 0676

E.O. 12958 N/A
BELIEVE THIS MONTH'S RALLY WILL BE ANYTHING OTHER THAN PEACEFUL.
O'NEILL//

SECT: SECTION: 01 OF 02

SSN: 6652

TOR: 970107025809 M2563644

DIST:

SIT: NSC

Cable

PREC: ROUTINE
CLASS: UNCLASSIFIED
LINE1: RAAUZYUW RUEDMCA4238 3590956-UUUU--RHEHAAX.
LINE2: ZNR UUUUU ZZH ZDK CTG RUEDMCB 1639 0090137
LINE3: R 241001Z DEC 96
LINE4: FM AMCONSUL NAHA
OSRI: RUEDMCA
DTG: 241001Z DEC 96
ORIG: AMCONSUL NAHA
TO: RUEHC/SECSTATE WASHINGTON DC 3730
RUEKJCS/SECDEF WASHINGTON DC//USDP:ISA/OATSD:PA/DPL/DDI//
RUEKJCS/JOINT STAFF WASHINGTON DC
RUEHKO/AMEMBASSY TOKYO//1192//
INFO: RHHMUNA/USCINCPAC HONOLULU HI//FPA/00//
RHHMHAH/CINCPACFLT PEARL HARBOR HI//00//
RUHEHMS/COMMARFORPAC//CG/DCG/PAO//
RUEACMC/CMC WASHINGTON DC//PP&O/DIRPA/POLAD/PA//
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RUAHYAF/5AF YOKOTA AB JA
RUATJHU/CDRUSARJ-IX CORPS CP ZAMA JA//APAJ-CG/GE//
RUHGOAA/COMSEVENTHFLT//00//
SUBJ: PREACHING TO THE CHOIR: DECEMBER 21 ANTI-BASE
TEXT: UNCLAS NAHA 0684

USCINCPAC ALSO FOR FPA TEARE
TOKYO PLEASE PASS FUKUOKA

PAGE 03 RUEDMCA4238 UNCLAS NAHA 0684
DOD/ISA PLEASE PASS TO SAKODA

E.O. 12958:N/A
TAGS: MARR, PGOV, PREL, JA
SUBJECT: PREACHING TO THE CHOIR: DECEMBER 21 ANTI-BASE
RALLY FIZZLES

REF: NAHA 0676 (DTG 131001Z DEC 96)

1. A DECEMBER 21 RALLY OPPOSING THE RELOCATION OF U.S. MILITARY BASES WITHIN OKINAWA (REFTEL) DREW A SMALL AND NARROWLY-BASED CROWD. WHILE ORGANIZERS HAD PUBLICLY HOPED FOR ATTENDANCE OF 20,000, POLICE ESTIMATE ONLY ABOUT 6,400 SHOWED UP. NOT TO BE DETERRED, HOWEVER, ORGANIZERS ANNOUNCED A GROSSLY INFLATED TURNOUT FIGURE OF 22,000, A NUMBER THAT IS BEING WIDELY REPEATED IN THE MEDIA. IN STRIKING CONTRAST TO THE OCTOBER 21, 1995 RALLY IN THE WAKE OF THE RAPE CASE, THIS RALLY DID NOT DRAW THE QAVERAGE OKINAWANQ OR ELICIT SUPPORT FROM ACROSS THE LOCAL POLITICAL SPECTRUM. ATTENDEES WERE ALMOST ALL MEMBERS OF REFORMIST

PAGE 04 RUEDMCA4238 UNCLAS NAHA 0684
(I.E., LEFT-OF-CENTER) POLITICAL PARTIES, UNIONS, OR OTHER
PACIFIST GROUPS.

2. UNLIKE THE 1995 RALLY, THIS ONE DID NOT HAVE THE
OFFICIAL BACKING OF THE PREFECTURAL GOVERNMENT OR ASSEMBLY,
BECAUSE IT WAS NOT SUPPORTED BY ALL THE LOCAL POLITICAL
PARTIES. NEITHER GOVERNOR OTA NOR ASSEMBLY SPEAKER
TOMOYORI TOOK PART. TWO OF THE MAIN PARTIES, THE LIBERAL
DEMOCRATIC PARTY (LDP) AND THE NEW FRONTIER PARTY (NFP),
CHOSE NOT TO PARTICIPATE BECAUSE THE RALLY IN ESSENCE
REJECTED THE BASE RETURN AGREEMENTS RECENTLY REACHED
BETWEEN THE USG AND GOJ. VERY FEW MAYORS TURNED UP, AND
MAYOR HIGA OF NAGO, WHOSE MUNICIPALITY IS THE LEADING
CANDIDATE TO RECEIVE THE REPLACEMENT HELIPORT FOR FUTENMA,
WAS NOTABLE FOR HIS ABSENCE. MAYOR ARAKAWA OF OKINAWA CITY
PARTICIPATED, AND GINOWANQS MAYOR TOBARU MADE A TOKEN
APPEARANCE. THE LACKLUSTER CROWD APPEARED MAINLY COMPOSED
OF UNIONS AND ANTI-BASE GROUPS ASSOCIATED WITH THE SOCIAL
DEMOCRATIC PARTY (SDP) AND JAPAN COMMUNIST PARTY (JCP),
ATTENDING OUT OF GROUP OBLIGATION.

PAGE 05 RUEDMCA4238 UNCLAS NAHA 0684

3. THE LOCAL MEDIA HAVE ALREADY SANCTIFIED BY REPETITION
THE ORGANIZERSQ ATTENDANCE FIGURE OF 22,000. THE SAME
THING HAPPENED AFTER THE OCTOBER 1995 RALLY, WHEN THE PRESS
ACCEPTED THE ORGANIZERSQ NUMBER OF 85,000, WHILE THE POLICE
COUNTED 58,000. THE PROPORTIONAL DIFFERENCE BETWEEN THE
TWO FIGURES IS EVEN GREATER THIS TIME, THOUGH, AS THE
POLICE ESTIMATE OF 6,400 IS LESS THAN A THIRD THE SPONSORSQ
CLAIM. ALTHOUGH THE 22,000 FIGURE HAS RECEIVED BY FAR THE
MOST PROMINENT COVERAGE HERE, SOME STORIES HAVE ALSO QUOTED
THE POLICE ESTIMATE. PERHAPS INDICATING THAT THE LOCAL
PAPERS REALIZE THE LARGER NUMBER IS SUSPECT, THEY DID NOT
PUT IT IN THEIR HEADLINES. LAST YEAR THE 85,000 FIGURE WAS
REPEATED IN FRONT PAGE BANNER HEADLINES FOR DAYS AFTER THE
RALLY, AND HAS NOW PASSED INTO LEGEND.

4. THE LOW TURNOUT OCCURRED DESPITE BEAUTIFUL WEATHER ON A
SATURDAY AFTERNOON. INDEED, A MAJOR HIGHWAY PASSING NEAR
THE RALLY SITE WAS JAMMED WITH FAMILIES HEADING TO AND FROM
THE BEACH, SHOPPING, ETC. THE MAIN STREAM OF TRAFFIC,

PAGE 06 RUEDMCA4238 UNCLAS NAHA 0684
HOWEVER, BLITHELY PASSED BY THE TURNOFF FOR THIS
QPREFECTURAL PEOPLEQS GENERAL RALLY.Q

O'NEILL//

SECT: SECTION: 01 OF 01

SSN: 4238

TOR: 970109003856 M2566525

DIST:

SIT: ANDREASEN BELL KRISTOFF PRITCHARD SEATON SESTAK SUETTINGER URIU
WITKOWSKY
SIT: NSC

Cable

PREC: IMMEDIATE

CLASS: UNCLASSIFIED

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LINE2: ZNR UUUUU ZZH

LINE3: O 060822Z JAN 97

LINE4: FM AMEMBASSY TOKYO

OSRI: RUEHKO

DTG: 060822Z JAN 97

ORIG: AMEMBASSY TOKYO

TO: RUEHC/SECSTATE WASHDC IMMEDIATE 1243

INFO: RUEHIA/USIA WASHDC IMMEDIATE 2591
RUEAIIA/CIA WASHDC IMMEDIATE
RHEHAAA/WHITEHOUSE WASHDC IMMEDIATE
RUEKJCS/SECDEF WASHDC IMMEDIATE
RUCPDOG/USDOC WASHDC IMMEDIATE
RUEKJCS/DIA WASHDC IMMEDIATE
RUEATRS/TREASURY DEPT WASHDC IMMEDIATE
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RHHMUNA/USCINCPAC HONOLULU HI
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RUEHOK/AMCONSUL OSAKA KOBE 9971
RUHBBMA/AMCONSUL NAHA 6876
RUEHKON/AMCONSUL NAGOYA 9813
RUEHKOF/AMCONSUL FUKUOKA 3172
RUEHKOS/AMCONSUL SAPPORO 9610
RUESDJ/FBIS OKINAWA JA
RUCWAAB/FBIS RESTON VA
RUAYJAA/COMPATWING ONE KAMI SEYA JA
RUAGJHA/CGUSARJ CAMP ZAMA JA//IX CORPS G5//
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA

SUBJ: JAPANESE DAILY PRESS SUMMARY 01/06/97-1

TEXT:

UNCLAS SECTION 01 OF 10 TOKYO 000073

DEPT FOR E, P, PM, EB, EAP/J AND S/AL

USIA FOR MR AND REA

WHITE HOUSE FOR NSC ROTH

WHITE HOUSE FOR NEC CUTTER

TREASURY FOR OASIA/IMI/JAPAN

DEPT PASS USTR FOR SHAPIRO/WOLD

DEPT PASS ELECTRONICALLY TO USDA FAS/ITP FOR SCHROETER

E.O. 12958: N/A

TAGS: PGOV, PINR, JA

SUBJECT: JAPANESE DAILY PRESS SUMMARY 01/06/97-1

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China: Redefining (ODA) under an Asia-Pacific

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(3) Hashimoto Administration's Agenda for 1997: Spotlight on Okinawa and Medical Insurance; Fluidity in Political Scene if SDP Leaves Ruling Camp

ARTICLES:

(1) Toward a "Visible" Yen Loan Program toward China: Redefining (ODA) under an Asia-Pacific Perspective

NIHON KEIZAI (Page 5) (Full) December 30, 1996

Japan's yen loans to China are linked into that country's construction of a social and economic base. Despite that, in the eyes of the Chinese, such loans are only barely perceptible. For the Japanese people, too, it is not at all clear what purpose yen loans serve. To prevent a perception gap over the yen loan program and make their existence visible, it is necessary to move beyond bilateral friendship and redefine the role of economic cooperation to China under an Asia-Pacific economic framework.

Deputy Senior Editorial Writer Naoaki Okabe

"If it were not for yen loans, the water shortage in Xian City would have been serious," explained a senior city official. In order to meet the demand for water brought on by a swelling population, the government began to pump up underground water from various parts of the city, naturally inviting cave-ins of the land's foundation. The water problem threatened the lives of the citizens.

The city was pressed by the need to build dams outside the metropolitan area and to install water purifying facilities, but for that it needed capital. At that point, yen loans were offered. Thanks to the loans, the land did not cave in, and water was supplied to this historical city.

Yen loans indeed are relied on. To survey the actual situation of yen loans, I visited all parts of China and was able to get a glimpse for myself of a part of the program. For China's main cities, where population is concentrated and swelling, there is an urgent need to construct social and sustenance-related infrastructure, such as

waterworks and sewerage. Even in the capital city of Beijing, yen loans have been useful to the work of sewage treatment and installing waterworks.

UNCLAS SECTION 02 OF 10 TOKYO 000073

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USIA FOR MR AND REA
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SUBJECT: JAPANESE DAILY PRESS SUMMARY 01/06/97-1

It is not just the sustenance base, yen loans also have become the cornerstone for China's economic development, as seen in such construction projects as power plants and port facilities near Shanghai or in port facilities at Shenyang, which is a special economic zone.

China's central government expenditures for basic construction makes up 30 percent of its total outlays. Of that, about 20 percent is related to the yen-loan program. Since yen loans are offered to cover about 40 percent of a project, the calculation is that about 8 percent of China's basic construction is paid for by Japanese yen loans.

Concern that (Yen Loans) Might Lead to a Perception Gap

In the three yen loan packages to China which were begun in fiscal 1979, Japan extended a total of 1.688 trillion yen in such financing. Additionally, in the first three years of the 4th yen loan package, 580 billion yen were provided. With China's carrying out nuclear weapons testing, the fiscal 1996 tranche of yen loans were halted in effect, causing China to react that "yen loans should not become political tools," indicating how much weight they had with the Chinese Government.

However, yen loans are not known among the Chinese people in proportion to the reliance on them. The completion ceremony for projects is reported; such projects as the ports of Shanghai and Shenyang were covered by local newspapers and television, but the average citizen does not seem familiar with them.

One informed source revealed, "Those who regularly read the People's Daily would know about them, but according to an opinion survey, the rate of those

who know about the yen loan program is fairly low."

The concern is that the lack of awareness of the yen loan program will lead to a perception gap. There is a view among the Chinese people that yen loans are wartime reparation payments.

On the other hand, within Japan due to the country's severe fiscal situation, official development assistance (ODA) is no longer a sacrosanct area of the budget. Even in the fiscal 1997 budget draft, the ODA budget has been constrained. This has raised the possibility of yen loans to China, which at some point will undoubtedly become Japan's powerful rival due to its rapid economic development, not continuing indefinitely into the future.

This kind of gap, linked also to the historical perception issue, can only further complicate the Japan-China relationship. What is important to grasp here is that yen loans have to be refocused from the bilateral relationship of Japan-China friendship into the context of new developments in the post-cold war global economy. Japan's yen loan program to China should be positioned as a basic
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USIA FOR MR AND REA
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E.O. 12958: N/A
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condition for the dynamic development of the Asia-Pacific region. The gigantic market of an open China will be the driving force for regional development.

China as a member of the World Trade Organization (WTO) will likely be folded into the global economic system of the 21st century. Within that system, China will be called on to meet various global standards, such as in its social and economic systems. The pre-condition for that will be the uniform development of China's economy.

Responsibility to Promote a Switch toward Emphasis on the Environment

The direction the Asia-Pacific will take will be decided by the triangle of Japan, the United

States, and Japan. But the key to grasping that triangular relationship is the stable development of the Chinese economy.

If Japan can contribute to that development, its role in the triangular balance will be greatly enhanced.

China's development poses no threat to the Asia-Pacific region; indeed, if China does not stably develop, it could then threaten the region.

Such factors as environmental destruction and the overconcentration of its population into coastal cities harm China's stable development and threaten neighboring countries. Yen loans should be used vigorously to help prevent such turmoil in China's economy and usher in stable development.

First, there should be a shift from the developed coastal area to the late-developing interior region. One Chinese official who is responsible for foreign loans in the Ministry of Foreign Trade and Economic Cooperation stressed, "There is no time schedule for graduating from the yen loan program. I would like you to take a look at the conditions in the interior regions." On the other hand, the harbor chief at Shenyang stated flatly, "We can do it with private-sector vitality; we no longer need government financing."

The next shift should be from economic development to protection of the environment. What is critical to environmental protection is a change in awareness of this problem. Even the power plant outside of Shanghai which was billed as emphasizing the environment, is only at the stage of installation of desulfurizers being studied.

Persons connected with the yen loan program all say that "the environment is more important than immediate goals," but looking at the air so polluted that one has to keep sucking on cough drops and at the mountainsides scarred mercilessly, one cannot imagine at all that China has emerged from its development-priority stance. It is Japan's responsibility, even though it as an advanced country has its own pollution problems, to

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TREASURY FOR OASIA/IMI/JAPAN

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E.O. 12958: N/A

TAGS: PGOV, PINR, JA

SUBJECT: JAPANESE DAILY PRESS SUMMARY 01/06/97-1

continue to urge China to change to an emphasis on the environment.

Japan, by redefining its role while looking to the 21st century and beginning to make a major change in its yen loan program to China. Such a yen loan package will be for both the Chinese and Japanese peoples a "visible" ODA presence.

(2) Japan Will Disappear, Part One: Warning Bell to the Next Generation from the Year 2020; Reforms that Do Not Move Forward; Rapidly Aging Population; Japan Will Be Isolated in the World; Individuals Alienated from Society

NIHON KEIZAI (Top Play) (Full) January 1, 1997

Another new year has begun with young people and families happily flying off to travel abroad. The mood is the same as ever with people visiting shrines on New Year's to pray for peace and tranquillity, but under their noses, Japan has begun to head down the path to catastrophe. Japan, its economy continuing to falter, cannot keep up with the world's greatest change since the Industrial Revolution. The system that supported it in the postwar period no longer functions. Unless there is reform, the next generation will see by the year 2020 a Japan that is disappearing, its population continuing to age and to shrink, owing to fewer children. Starting in the new year, that bell will continue to sound an alarm.

Until six or seven years ago, large Japanese banks were lionized in the London and New York financial markets as being the strongest in the world. In the same financial markets starting in the fall of last year, there was a sudden increase in dealings that were premised on "some of the large Japanese banks failing."

A so-called "bankruptcy insurance" was started in which a commission is paid to a third party in advance in order to avoid the risk of having claims against Japanese banks. In case a Japanese bank fails, the money can be retrieved from the third party. The terms for the transaction average from one to five years. During that time, if there is a bankruptcy, (the holder of the insurance) can regain money amounting to dozens of times more than the original commission fees.

The scheme was contrived by such blue-chip Western banks as J.P. Morgan and Credit Suisse. They looked at Japanese banks and figured that as long

as there was no progress in their liquidating their bad loans, once again there would be a threat to the stability of the stock exchange. They therefore entered into a preparation for a period in which major Japanese banks might "disappear."

Prosperity Has Changed as Companies Stagnate

The scene was the city of Shanghai in China. In November of last year, top executives from powerful corporations in the world were invited to an annual conference sponsored by the mayor of Shanghai to UNCLAS SECTION 05 OF 10 TOKYO 000073

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consult with international enterprisers. Looking at the list of participants that was passed around, Japanese company officials were aghast.

The top 10 companies on the list consisted of Western firms, including AIG and Citibank, as well as Korean companies. There was not a single Japanese company listed. Chinese authorities, who are very rank conscious, had deleted Japan from the top positions of the corporate ranking. Japanese corporations, aware of their decline, are working on management reform, and Prime Minister Ryutaro Hashimoto has called for "six reforms," including administrative reform, targeting the year 2001. There are doubts abroad about this policy signboard.

"The pace of administrative reform and deregulation in Japan is exceedingly slow; it is not keeping up with the rest of the world." This passage is contained in an internal U.S. document on the Clinton Administration's new Asia policy finalized last November in the White House.

This document, which was mostly taken up with China policy, stated bluntly about Japan in its conclusion: "There is a possibility Japan will follow a path of decline."

The Shell Group, an international oil major that is highly regarded for its world economic forecasts, in its most recent effort, issued a "Long-term

Forecast until 2020." In the forecast, Shell categorized the next two decades as "an age of reform competition, in which there will be no survival unless there is reform." The forerunners of that, it stated, were the U.S. and England, which starting in the early 1980s under Reagan and Thatcher, began to move (to reform).

The United States was then faced with the malaise of industries hollowing out and financial institutions collapsing, and twin deficits in the fiscal and trade areas. The country embarked on a "small government" course for the central government, and corporations carried out thorough restructuring. In England also, reform in the securities market (the Big Bang), and rapid privatization of state-operated enterprises was carried out, and the progressing "British disease" was generally halted. Because such reforms were carried out, both the United States and Great Britain recovered, and the U.S. now sets the world standard in telecommunications and financial services.

In the last half of the 1980s, New Zealand and other English-speaking countries, followed in their footsteps, and in Europe as well, welfare costs were cut and a unified currency was started. In the Asia region also, reforms are speeding up, leading to a liberalization of by the year 2020.

Analogous to England in the Late 19th Century

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However, Shell pointed out that "Japan is finally at the tail end stage of reform competition." According to Vice President Roger Rainbow (TN: Phonetic), who was in charge of the forecast, a country that by the year 2020 would be rapidly aging and have a low birth rate faces a crisis situation if it is on the tail end. He sounded the alarm bell, stating, "Japanese leaders' shallow sense of crisis is the problem," referring to Japan's not having even trimmed its expenditures in the fiscal 1997 draft budget, even though that year

is to be starting year for reform. Last year, as if to indicate that future prospect, of all the industrialized countries' stock markets, only Japan's fell.

This sort of condition recalls the late 19th century, when England was at the end of the reign of Queen Victoria. England, which had become for a while the world's factory due to the Industrial Revolution, found its daily affluent life hit by paralysis, its structural change slowing down. Its iron and steel production was overtaken by the late-developing U.S. and Germany, which had started 30 years behind it, and in one sweep it fell into decline.

One hundred years later, Japan, which had become the world's factory, was losing its hegemony just like England did. I could be left behind in the reform competition and become isolated in the world. And everyone of its people would feel a sense of alienation.

Floating Face of Death in Tokyo

Not too far from the noisy crowds visiting Asakusa's Sensoji for their first New Year's prayer lies the Yanaka cemetery of Tokyo. If one looks around at the rows of graves, one can find on about 30 gravestones an odd white plastic placard with the notice written on it: "This grave is considered to have no surviving relatives, but if you have come to pray here, please go to the office to inform." With the decline in the birthrate, there has been an increase in "family lines" going out of existence. The number of forlorn graves with no one to attend to them have increased in recent years, even in Tokyo. The proportion of abandoned graves within Tokyo at major cemeteries is approaching 10 percent.

"This was not supposed to happen, but it did," said Mrs. Keiko Katayama (fictitious name, 66 years old), beginning to explain about "the two-family home miscalculation." In 1985, Mrs. Katayama used 10 million yen of her money to rebuild her home into a two-family residence for her son and daughter-in-law to reside with her. However, in a little while, the relationship between her husband and the son's wife became bad, and in 1992, not being able to take it anymore, the couple moved out.

With the son and daughter-in-law having left home, Mr. and Mrs. Katayama decided to sell the property
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on which they had lived comfortably for 20 years.
Now, the two live quietly in a high-rise for the
elderly in Urawa City in Saitama Prefecture.

"Children that cannot live together with the
parents," and "married couples that have no desire
to have children." A picture of families heading
for oblivion suggests a Japanese people heading
toward the year 2020 from cradle to forlorn grave
in a way similar to the state systems that are
breaking down.

In late November last year, a photograph exhibit
was displayed in Copenhagen, Denmark. The theme
was "Tokyo." A Europe-Japan cultural exchange
association invited 21 famous European
photographers to Tokyo and had them freely take
pictures around the city.

"Expressionless faces of men crossing the train
door"; "young woman asleep in the train car as if
completely exhausted"; and "man walking with arms
folded": no matter what picture, they were all
similarly dark and ill-tempered, more so than one
would expect.

Critic Tetsuro Morimoto, who had helped plan the
photo exhibit, quipped, "I saw the face of a dead
Tokyo."

(Year 2020 Coverage Team)

(3) Hashimoto Administration's Agenda for 1997:
Spotlight on Okinawa and Medical Insurance;
Fluidity in Political Scene if SDP Leaves Ruling
Camp

ASAHI (Page 2) (Full) January 3, 1997

Prime Minister Ryutaro Hashimoto will face the
opening of the regular Diet session on January 20
with his eyes fixed on the re-election campaign for
president of the Liberal Democratic Party (LDP)
this September. The Prime Minister would like to
tighten his Administration's political base by
maintaining the links to the Social Democratic
Party (SDP) and the Sakigake Party, and by bringing

about reforms in the fiscal policy and administrative areas. However, in addition to the hostage incident at the Japanese ambassador's residence in Peru and the scandals in the bureaucracy, he will be pressed to handle a number of other difficult issues, including the U.S. bases problem on Okinawa and reform of the health insurance system. The second Hashimoto Cabinet, which is a single-party rule by the LDP, is in a dangerous situation, for should the SDP defect from the ruling camp, a no-confidence proposal against the LDP could then pass the Diet.

The long-term strategy of Prime Minister Hashimoto and the LDP is said to have the following elements: 1) steer through the regular Diet session using the tie-up with the SDP and the Sakigake Party; 2) run for re-election to the party presidency by pointing to the plan for "Hashimoto Administrative Reform"; UNCLAS SECTION 08 OF 10 TOKYO 000073

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3) pass administrative reform-related laws in the regular Diet session in 1998, and obtain a victory in that summer's upper-house election by touting those results. However, there are many troublesome elements in the upcoming regular Diet session, the first hurdle he must overcome.

The opposition camp will take a stance continuing that of the recent extraordinary Diet session of pursuing the responsibility of the Government and the LDP on the scandals in the bureaucracy. The Shinshinto (New Frontier Party), especially since its unity was weakened by the end-of-year formation of the Taiyoto (Sun Party), will likely toughen its confrontational stance with the Government and LDP in order to draw tighter together under party head Ichiro Ozawa and other party executives. If the Government makes a mistake in its responses, whether it be in the Peru hostage situation or the falling yen and stock market situation, it will be showered with criticism.

Since the fiscal 1997 budget was compiled by the three ruling parties -- LDP, SDP, and Sakigake -- it is hard to imagine any opposition from the SDP

and Sakigake when the draft is up for Diet passage, but once the budget passes, the challenge waiting will be the more than likely occurrence of the SDP's "splitting away from the LDP."

On the Okinawa problem, in May, the forced land-use contracts of 12 U.S. forces' facilities, including the Kadena air field, will run out. At present, the Okinawa Prefectural Expropriation Committee is deliberating the question of use authority, but the likelihood is that their judgment will not come in time. Similar to the case at the Sobe telecommunications site, the situation anticipated will be that LDP will not be able to recognize emergency use and the "illegal occupation" of the sites will expand. The LDP intends to start holding meetings with the SDP and Sakigake around March to discuss temporary measures, but whether the SDP will fall in line remains a delicate issue.

On the question of reform of the health insurance system as well, the three ruling parties reached an agreement at the end of the year that included patient's bearing an increased cost, but regarding the timing for implementation, it was decided to "flexibly adopt measures." The LDP, which aims to implement the plan in May, has not been able to bridge the gulf with the SDP, which is calling for a "one year freeze." It is likely therefore that the confrontation will flare up again when deliberations on the relevant bills start.

In addition, a clash between the LDP and the SDP seems unavoidable over the review of Defense Cooperation Guidelines between Japan and the United States, and over studies of emergencies that assume a conflict situation in the area neighboring Japan, such as the Korean Peninsula. In particular, that is because debate over measures to support U.S. forces in their battle operations are entangled in interpretation of the Constitution, which prohibits

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the use of the right to collective self-defense.

If the SDP joins the opposition camp, the

Administration will suddenly become unstable. In disposal of bills in the Diet, as well as the rejecting of no-confidence resolutions against the Cabinet, the LDP with its minority cannot do it alone. In that case, the LDP will search for new partners to link to, and even in the opposition camp, there is a possibility of an "anti-LDP" force starting up within the ruling parties as well.

Foreign Policy: Prime Minister Considering Early Visit to U.S.; Seeks to Repair Relations with China

The Government is now considering the foreign affairs calendar for 1997, starting with Prime Minister Ryutaro Hashimoto's five-nation Southeast Asian trip that begins on the 7th. The Prime Minister wants to visit the United States soon after the second Clinton Administration is inaugurated on January 20 in order to exchange views on such bilateral issues as defense cooperation. On the other hand, relations with China, while having returned to a calm state are still not completely recovered, and there is on the agenda up to September, which marks the 25th anniversary of the normalization of Japan-China relations, mutual visits by important officials. In addition, Republic of Korea President Kim Young-sam will come to Japan in January for discussions on the situation on the Korean Peninsula, which is witnessing a new development. However, the Prime Minister considers resolving the hostage situation at the Japanese ambassador's residence in Peru to be his top priority, and for the time being seems to be absorbed in dealing with that incident.

With the Peruvian hostage situation weighing heavy on his mind, the Prime Minister after much agonizing decided to go ahead with his state visits to Southeast Asian countries as planned. On the other hand, he ordered his staff to keep him informed frequently during his stays should there be any movement in the hostage situation. He has taken a stance that he himself would issue instructions at any time in accordance with developments in the situation, so it appears that even as he travels, the hostage problem will never be off his mind.

In Japan-U.S. relations, work has fully begun on reviewing the Japan-U.S. defense cooperation guidelines, with a target of this autumn for completion. The spotlight will be on how much Japan's rear-echelon support for U.S. forces will be during a contingency in the area surrounding Japan and on to what extent U.S. forces can use facilities in Japan like civilian airports at that time. On the Okinawa base issues, resolution of such issues as the construction of an alternate

heliport for Futenma Air Field and the forced use of land by U.S. forces seems rather far off yet. Prime Minister Hashimoto, who places Japan-U.S. relations as "Japan's most important bilateral relationship," would like to have a summit meeting
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between Japan and the U.S. at an early time in order to discuss a series of such issues.

Relations with China are being emphasized on par with those with the United States. State President Jiang Ze min and Premier Li Peng have been invited to come to Japan, and possible visits to China by Foreign Minister Ikeda and Prime Minister Hashimoto are being probed into. Hashimoto would like to bring about a favorable turn in the relationship. However, China in 1997 will experience major events such as the once in five years Communist Party plenary scheduled for the fall and the July reversion of Hong Kong. In addition, China, which places importance on relations with the U.S., apparently is giving priority to President Jiang visiting that country, so there is predicting now whether his visit to Japan will ever specifically get on his calendar.

The incident of a submarine intrusion (into South Korea) by the Democratic Peoples Republic of Korea (North Korea) saw a general settlement by the North's issuing a statement of "deep regret." Attention will now turn on the Korean Peninsula to the course of the work by the Korean Peninsula Energy Organization (KEDO) early in the year to supply the North with light-water reactors. During the summit meeting between the leaders of Japan and South Korea, which will be held on the 25th and 26th in Beppu City in Oita Prefecture, Hashimoto would like to probe into the President Kim's intentions.

On relations with Russia, there are plans for the final stage of negotiations aiming at February or March on a framework for safe operations by Japanese fishing boats in the waters around the four northern islands, and the Japan-Russia Trade

and Economic Committee will be restarted (in the same timeframe) with the visit of First Deputy Premier Ilyushin (TN: phonetic) to Japan. It would appear that movement is being activated to "prepare the environment" for negotiations on the northern territories.

In addition, both Japan-China and Japan-ROK relations are entangled in disputes over territorial claims to the Senkaku Isles (Daioyu in Chinese) and Takeshima Islands (Tokdo in Korean), respectively. Negotiations on signing new fisheries pacts and delineating an exclusive economic zone will reach a decisive moment in the first half of 1997, so Hashimoto will be pressed to make a difficult response.

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(1) Further Declining Rate of Unionized Workers As Share of Total Employees; Clear Vision for Future Now Necessary

SANKEI (Page 3) (Full) January 8, 1997

The ratio of labor union members as a share of all employees has continued declining. According to the labor union survey for 1996 conducted by the Ministry of Labor (MOL), the ratio as of June in 1996 dropped 0.6 points from a year earlier to 23.2 percent. The results show that three out of four workers are now non-unionized workers.

Although the number of employees increased by 620,000 from a year ago, union members decreased by 162,000. Rengo (Japanese Trade Union Confederation), the largest union organization, lost 67,000 members -- a nearly 10 percent decrease; its total membership now accounts for only 14 percent of all unionized workers.

The ratio of unionized workers as a share of all employees has recorded decreases for over 20 consecutive years, and the number of labor union members also has been on a downward trend for five years, there being no signs of brakes being applied to such a trend. What is worse, the recent moves of reforming various labor-related systems and of

deregulating the job-search system and job-placement business have accelerated occupation change-overs and have diversified employment styles. In addition, a sense of solidarity is
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faltering among workers, reflecting easing of restrictions on working hours and the labor-contract system, as well as establishment of arrangements for settling disputes individually. Workers now find no advantage in forming labor unions or joining them.

"In the 21st century, labor unions as a system might become unnecessary ..."

A young MOL official made this hypothesis, hinting that a workers' union composed of regular members would hinder the building of a smooth labor-management relationship in a workshop where there are workers who were employed based on different contract conditions. He suggests that it would be more effective to hold talks and establish a relationship of trust in an informal organization that include management staff, like a representatives' council.

"In order to carry out activities that can win confidence in a company, a labor union must deal with the complaints, concerns, and dissatisfaction of its members."

A labor union leader of the former Japanese National Railways made this comment, remembering his experience as a leader who once commanded union members to stage strikes and work-to-rule struggles at branch offices and sub-committees.

Each labor union is supposed to be crafting some measures to stop the decreasing trend of unionized workers. Rengo, its industry-specific unions, constituent unions and regional organizations have launched studies to form business-specific "craft unions" that include management staff and experts, as well as "regional unions" that involve part-time workers, temporary workers and subcontractors.

However, such efforts have not caught up with rapid changes in the employment system. This is shown by low rates of unionized workers -- less than 10 percent and 14 percent respectively -- in the wholesale and retail sectors, in which employment styles have been most remarkably diversified, and in the services industry.

Rengo's attempt to expand its organizations is likely to create various types of labor unions, but it has given no prescription for coordinating interests among workers' unions.

In an global-scale mega-competition age, efforts by industries and corporations to increase efficiency in business operations will lead to a drastic reform in the employment system, such as progress in the package out-sourcing system in some sections. In the process of thoroughly looking into how labor unions were created, what role they have, and how they should be in the future, each entity should project a vision of their labor unions for the near future. Otherwise, there will be no bright future for existing labor unions.

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(2) Japan-U.S. Maritime Talks Break down; Two Countries Remain at Odds over Protection of Employment of Stevedores; U.S. Geared up to Issuing Sanctions

NIHON KEIZAI (Page 6) (Full) January 7, 1997

(Washington, January 7, Reporter Yasuhiko Ota)
Japan-United States maritime talks, which have been held in Washington, ended in rupture on the 7th with the views of the two sides remaining wide apart on stevedoring. The U.S. is charging Japan's labor-management coordination system, which is designed to protect the employment of stevedores, citing, "U.S. shipping lines are unduly forced to shoulder such costs" (U.S. government authorities). The U.S. side stuck to its usual stance of issuing sanctions against Japanese shipping lines, calling

for improvement of the situation through government intervention. The two countries agreed to continue the negotiations, but if no progress is made, the U.S. will enter procedures for concrete sanction measures, setting the 20th as the deadline.

During the two-day talks, the U.S. once again brought up Japan's "prior consultation system" regarding stevedoring and underpinned its assertion, "That system is blocking companies from operating on the basis of market mechanisms" (same source). Japan expressed dissatisfaction, citing that sanction measures against Japanese shipping lines are "unilateral" (senior official of the Ministry of Transport (MOT)).

That system is a practice adopted by the private sector, under which shipping companies coordinate view with stevedores' unions when they change dockin ports or types of vessels. U.S. shipping lines are discontent with the system, claiming that they are unable to draw up flexible operation plans unless trade unions' approval. Such a system is hampering mechanization and streamlining of stevedoring.

The U.S. Federal Maritime Commission (FMC) is now preparing a sanction measure with the ships of Nippon Yusen, Mitsui O.S.K. Lines and Kawasaki Kisen Kaisha as a target. If the sanction is imposed, a 100,000 surcharge will be imposed on their ships for each port entry in the U.S.

(3) Okinawa U.S. Military Base Problem Growing Tense; No Progress in Procedures for Forcible Use of Land; Legal Action Likely Again; Difficult Coordination over Futenma Relocation

NIHON KEIZAI (Page 2) (Full) January 9, 1997

The problem of U.S. military bases on Okinawa now seems to be becoming tense again. The Government's current expropriation of (about 3,000 persons') lands used by 12 U.S. military facilities, including Kadena Air Force Base, is due to expire in May, and now it has become almost certain that the Government's taking of procedures for its

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continued forcible use of those land lots will not be in time. The Government, therefore, may consider taking another legal action in order to continue its land expropriation. Meanwhile, the issue of relocating Futenma Air Station's functions also remains unsettled and has been carried over from last year, and these two problems may get entangled and complicated.

Delay in the expropriation commission's examination

As for the Government's taking of procedures to continue its forcible use of lands for the 12 U.S. military facilities, Okinawa Prefecture's Governor Masahide Ota last September complied with the Government's request for his execution of official posting and public review required for such procedures, and the problem is now taken as politically settled. Meanwhile, however, there has been no progress in the Okinawa prefectural expropriation commission's open examination. On February 21, its examination will start at long last. In the past, its examination used to take about ten months on average. Accordingly, the dominant outlook is that the Government will fail to complete its procedures before its current land leases expire on May 14.

The Government is hoping for Okinawa Prefecture's cooperation. Its stance is to call on the expropriation commission to approve emergency use for a period of six months from May and expedite its examination during that period of time. Actually, however, there is no guarantee for the expropriation commission's approving such emergency use or speeding up its open examination.

If the Government is not allowed to make emergency use and falls into a state of no use title over those landed properties, such a situation could give rise to confusion as the landowners would call for their entry into the bases. A portion of the Kadena AFB runway grounds is also included in the land leases that are due to expire. If their entry into the bases is approved, the U.S. military's operations could be seriously troubled. Therefore, the Government, in order to secure its use title, may consider enforcing another law to quicken the procedures for its continued forcible use of those land lots.

The government's foundation also to be affected

However, the Government has not shown any move at all for legal consolidation. The reason is that the Government is concerned about a situation where

such a stance could rather incur Okinawa Prefecture's negative reaction and make it even more difficult to go ahead with the expropriation commission's open examination and other procedures. On the other hand, the Government wants to avoid at least falling into a state of illegal occupation, and will be urged to make a subtle judgment early this spring, while carefully watching the expropriation commission's moves. Legal consolidation could incur the Social Democratic

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Party's negative reaction, and could develop into a problem that may rattle the unstable foundation of the Hashimoto government.

On the other hand, the Japanese and U.S. Governments have agreed to construct an alternative heliport in the waters off the eastern shore of the main island of Okinawa for the Futenma airfield, but the two governments have yet to decide on anything concrete about where to relocate the Futenma airfield's heliport functions. An offshore area of Camp Schwab (stretching over Nago City and other municipalities) has been regarded as a likely site, but the local side is strongly opposed to that idea. At the end of last year, there was a new move as Okinawa Prefecture's economic circles advocated reclaiming a foreshore of Camp Schwab.

Precariousness about reversion in seven years

The Government would like to decide on a relocation site before the expropriation commission starts its open examination in February. If and when the expropriation commission's review goes into full swing, the prefecture would again waver on the base problem. If the Government unavoidably chooses to go for legal consolidation, there would be no environment to decide on Futenma's relocation site. If a residue of hard feelings is left among the central and prefectural governments and local municipalities, the Government may waste time throughout this year ... So, the Government is concerned about such a scenario of vicious circle.

However, Okinawa Prefecture is now showing its stance of calling for the U.S. Government to withdraw or reduce the Marines based at Futenma on the occasion of its adopting a troop strength review plan in May.

It leads also to the logic that if the Marines in Okinawa are withdrawn, Futenma's relocation itself will be unnecessary. Such a motive is wide apart from the Government's stance as the Government wants to work together with the Okinawa prefectural government in order to persuade the local municipalities for an early settlement on the issue of where to relocate Futenma's functions.

(4) Jiji Kokkoku Column: Nobel Peace Laureate for the East Timor Problem, Horta, Now in Japan; Citizens Welcome Him Warmheartedly, But Government Shows a Cool Response; Foreign Ministry Is Wary of "Interference in Domestic Affairs": Twice the Audience Expected Gathered for His Speech Given in Sendai City

ASAHI (Page 3) (Full) January 9, 1997

Ramos Horta, who last year was awarded a Nobel prize for peace for his efforts to bring peace to East Timor, came to Japan on the 6th and will stay here for seven days. He met with Foreign Minister Yukihiko Ikeda and other key government officials, but contrary to his expectations of gathering momentum for the (East Timor) independence

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campaign, the Japanese Government, which places emphasis on relations with Indonesia that has kept East Timor under its rule for 20 years or so, has treated him coolly. Meanwhile in snow-covered Sendai City, a hall (where he gave a speech) was jammed with citizens, including Governor of Miyagi Prefecture Shiro Asano.

(Takashi Fujitani of the Foreign News Department and Jun Okudera of the Sendai Branch)

1 Governor Offers His Congratulations

"I want Japan, as a country of Asia, to exercise leadership in resolving the East Timor problem," said Horta in a commemorative meeting for his Nobel award held in Sendai City. A hotel banquet room for the meeting was swarmed with nearly 600 persons, the number that was twice as many as the number expected by the sponsor side.

In his speech, Horta explained the recent state of affairs in his country, giving an incident that boys who staged a demonstration seeking peace were shot by soldiers last November, and stressed, "More than 1,000 residents are still put in jail unreasonably and people there cannot voice their opinions freely."

East Timor was previously a colony of Portugal, but with Portugal's withdrawal from East Timor in 1975, a civil war broke out. In 1976, Indonesia annexed that region by using force. Many countries of the world including Japan do not recognize such annexation, and in 1992 negotiations between Indonesia and Portugal were resumed through the good offices of the United Nations, but no progress has been made until now.

Horta, a major independence campaigner, asked Japan "to play the role of intermediary to settle the conflict by applying international pressure to the Indonesian Government," stating, "Every citizen's watchful eye will lead to preventing oppression of human rights."

In the hall, students of Tohoku Gakuin University played folk music native to East Timor. People who gathered there asked Horta one after another in English: "I have no knowledge about the existence of such problems in Indonesia," or "I want you to tell us what I can do for people there."

Governor Asano also offered his congratulations on him, noting, "I have just become filled with anger, learning there is such oppression on the earth. This has become an occasion for us to think about it as our own problem, not just one in a country far remote from us."

1 No Meeting Held

Horta came to visit Japan at the invitation of civic groups that are interested in the East Timor problem. Arrangements for him to give a speech and for reservations for a hotel and transportation

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were "all made by us over the past three months"
(Akira Matsubara, Secretariat Chief of the Tokyo
Welcoming Committee for (Horta)).

What the sponsor side expects (of his visit to
Japan) is to make people here in Japan take an
increasing interest in East Timor. It also has a
motive to change the stance of the Japanese
Government negative even to the UN's intermediary
efforts. Thanks to its efforts, it brought to
realization a meeting with Foreign Minister Ikeda.

Yasuko Takemura, an upper-house member who
represents the Dietmembers Council for Thinking
about the East Timor Problem, called on Councilor
Kunihiko Makita of the Asian Affairs Bureau in the
Ministry of Foreign Affairs (MOFA), and giving an
example of a meeting between Rigoberta Menchu, the
1992 Nobel laureate, and (then) prime minister
Morihiro Hosokawa, worked on him to realize a
meeting (with the Foreign Minister).

But the Japanese Government showed a curt response.
In 1995 Japan's official development assistance
(ODA) to Indonesia amounted to 892 million dollars
(approximately 100 billion yen). The aid amount is
the second largest, following that for China.
Indonesia also is a major country for trade and
investment.

Partly because of Prime Minister Ryutaro
Hashimoto's trip to Indonesia on the 9th, the
Government was cautious, noting, "A meeting itself
with a high-ranking government official might be
viewed as intervention in domestic affairs" (senior
MOFA official). Furthermore, a high-level MOFA
official went as far as to say, "There is no need
to meet him even though he is a Nobel prize
winner."

Rumor has it that Indonesian Embassy officials
concerned told MOFA, "A high-level government
official should avoid meeting him."

When Horta held a press conference on the 6th at
the Japan Press Club in Tokyo, two young Indonesian
men circulated near the reception desk a flier that
read a political party led by Horta killed leaders

of his rival party in the conflict in 1975.

On the other hand, the Norwegian Embassy on the 9th will hold a welcoming reception hosted by Ambassador Bjornebye. Among the participants in the reception is the Swedish ambassador. A comment by the embassy's official for public relations: "It is proper to have a congratulation ceremony for a Nobel laureate."

1 Sing Songs in Native Language of East Timor

Citizens who joined the above welcoming committee each take East Timor as a problem of their own. It has been two years since Ayumu Suzuki (24 years old), with his two friends, sang songs of East Timor in its native language. "People can live strongly by singing songs in a place where no

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freedom of speech is allowed. Hoping to relay such a feeling, I began to sing," he says.

Proposed by a young staff member, a meeting between Horta and Yuki Kudo (25), an actress, will be held on the 10th. Kudo comments: "Until recently I have not known about this problem in detail. I would like to exchange views in a plain and frank manner, different from those of the experts."

(5) Lineup of Top Officials of Japanese-Version CIA Firmed up

FORESIGHT (Full) December 1996

An intelligence headquarters in the Japan Defense Agency (JDA), which can be called a "Japanese-version CIA" will be launched on January 20. The chief of the headquarters, which will be established under the Joint Staff Council that governs the uniformed staff, is expected to be filled by a uniformed senior official. At this point, that post is certain to go to Masahiro Kunimi (9th graduating class from the National Defense Academy), now 10th Division Commander of the Ground Self-Defense Force (SDF). Kunimi is an

intelligence expert who has served in such posts as intelligence squad leader (hanchou) and intelligence department director general (buchou) in the Ground Staff Office, in addition to his tour in the Japanese Embassy in Beijing. The person closest to the post of deputy chief is Defense Councillor Takemasa Moriya (who joined the JDA in 1971) who was previously in charge of Okinawa affairs.

Intensive wrangling had been going on between the civilian internal side and the uniformed staff over top posts of the administration department, planning department, analysis department, visual department (gazou-bu), and the radio wave department. But in the end, the top post of the radio wave department, which is tasked to intercept radio messages from China and the Korean Peninsula by using a monitoring device commonly called the "elephant's cage," was awarded to the Metropolitan Police Department, which has been filling the supreme post of the SDF Intelligence Department and it will soon be turned into intelligence headquarters. An intra-ministerial bureau won the visual department, an office tasked chiefly to analyze ground pictures coming from reconnaissance satellites. The remaining three departments were divided among the ground, maritime, and air self-defense forces.

(6) Agricultural Ministry Plans to Pick New Vice Minister Ahead of Original Schedule, Due to the Suicide of Elite Bureaucrat

FORESIGHT (Full) December 1996

Yoshinobu Kiuchi (joined the Ministry of Agriculture, Forestry and Fisheries (MAFF) in 1968), who had been expected to become administrative vice minister in five years,
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committed suicide by jumping onto the tracks of the JR Chuo Line in late November. He left no suicide note. Kiuchi worked himself day and night to the bone in his last week until the day before

committing suicide, coordinating views with the Liberal Democratic Party (LDP) and the Finance Ministry for determining FY1997 producer rice prices. "I suspect that he was pressed by the LDP to squeeze out agricultural subsidies amounting to 10 million yen in return for lowering rice prices. He must have been disappointed profoundly with agricultural policy measures and MAFF itself" (MAFF official).

Triggered by the death of Kiuchi, MAFF is expected to carry out as early as January 1997 a major reshuffle of senior officials, including the post of administrative vice minister. Reportedly, MAFF has already decided in principle to appoint Food Agency Director General Masayuki Takahashi (1963) new administrative vice minister to replace Hirofumi Ueno (1962). When he was director general of the secretariat, Takahashi worked actively coordinating views with the LDP for installing a new food law and generating Uruguay Round outlays. Due to his affable demeanor and his persistence, Takahashi is popular both inside and outside MAFF. Nevertheless, being Kiuchi's immediate superior, Takahashi's responsibility may surface depending on how Kiuchi's death unfolds. MAFF intends to announce Takahashi's promotion as early as possible in order to ward off such a scenario.

Some have revealed that MAFF had gone a tremendous struggle over picking the next vice minister. If Ueno and Takahashi are leading members of the mainstream, the boss of the non-mainstream is Forestry Agency Director General Hajime Irisawa, who entered MAFF in the same year as Takahashi. Irisawa, known as a man of ideas in the ministry, was also eyeing the vice minister's post by utilizing his strong ties with agricultural cliques in the Diet and influential former MAFF officials.

According to a MAFF official, "Vice Minister Ueno has revealed to retired officials his plan to leave office, along with Irisawa, to pave the way for Takahashi and to nib the internal strife in the bud." MAFF plans to give Takahashi's post, chief of the Food Agency, to Yuki Takagi (1966), who is now Director General of the Secretariat, and Takagi's post to Hidetaka Tsutsumi (1967), now Director General of the Economic Affairs Bureau.

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TEXT:
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USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR
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TOP HEADLINES:

ASAHI: ANTI-SUBVERSIVE ACTIVITIES LAW UNLIKELY TO APPLY
TO AUM CULT; PUBLIC PEACE PANEL HAS DOUBTS ABOUT "FUTURE
DANGER"; TO COMPILE A DECISION STATEMENT SOON, ALSO IN
CONSIDERATION OF ARRESTS OF CULT MEMBERS ON THE RUN

NIHON KEIZAI: MAZDA MOTORS WILL WITHDRAW FROM LIGHT
VEHICLE PRODUCTIONS; TO PROCURE SUCH VEHICLES FROM SUZUKI
MOTORS FROM NEXT FALL; FOR COST REDUCTION FOR

RECONSTRUCTION

TOKYO SHIMBUN: PLUMMETING STOCKS OUT OF GROWING DISTRUST OF POLITICS; TSE'S NIKKEI AVERAGE CLOSES AT 18,073 YEN -- A DROP OF 1,372 YEN OVER THE PAST THREE DAYS; "DUE TO ANXIETY OVER POSSIBLY NO PROGRESS IN STRUCTURAL REFORM "

MAINICHI: SECRETARY KIM JONG IL "WILL BECOME PRESIDENT WITHIN THE YEAR"; A PERSONAL LETTER SENT TO PRESIDENT JIANG ZE MIN; CHINA, NORTH KOREA MAY HAVE EXCHANGE OF TOP LEADERS

YOMIURI: FINANCE MINISTRY PLANS TO ADOPT A "EVERY-FIVE-YEAR REVIEW SYSTEM" FOR SUBSIDIES; TO DISCONTINUE PAYMENTS OF SUBSIDIES NOW GIVEN TO 1,139 PROJECTS AND THE LIKE, EXCLUDING PUBLIC WORKS PROJECTS (TRANSLATION BELOW)

SANKEI: NEW-TYPE BALLOON FLIES OVER FROM KOREAN PENINSULA; NORTH KOREA TRYING TO TEST CHEMICAL WEAPONS-BASED TERRORISM?; DUBIOUS POLYETHYLENE CONTAINER EQUIPPED WITH A TIME-LIMIT SEPARATION DEVICE (TRANSLATION BELOW)

WHEN HOSTAGE CASE OVER, FOREIGN MINISTRY WILL CONTINUE SAME FOREIGN AID PROGRAM IN PERU (YOMIUI - PAGE 2)

A FOREIGN MINISTRY SOURCE ON THE 9TH REVEALED THAT THE MINISTRY PLANNED TO DISPATCH A SURVEY MISSION ON ECONOMIC ASSISTANCE TO PERU, WHICH HAS BEEN DELAYED DUE TO THE SEIZURE OF THE JAPANESE AMBASSADOR'S RESIDENCE IN LIMA. HE STATE THAT THERE WOULD BE NO CHANGE IN THE BASIC POLICY LINE OF JAPAN'S OFFICIAL DEVELOPMENT ASSISTANCE (ODA) PROGRAM IN PERU.

LOOKING AT ACTUAL DISBURSEMENTS OF JAPAN'S ODA TO PERU IN 1994, THE AMOUNT PROVIDED IS ONLY SECOND TO THAT PROVIDED BY THE UNITED STATES. HOWEVER, THE TUPAC AMARU REVOLUTIONARY MOVEMENT (MRTA), A LEFTIST GUERRILLA GROUP, WHICH HAS BEEN OCCUPYING THE JAPANESE AMBASSADOR'S RESIDENCE AND HOLDING HOSTAGES, CRITICIZED PRESIDENT FUJIMORI'S ECONOMIC POLICIES FOR HAVING "DISTRESSED THE POOR EVEN FURTHER." SO IN JAPAN, SOME HAVE BEGUN TO QUESTION THE WAY JAPAN'S ODA PROGRAMS ARE CARRIED OUT. BECAUSE OF THIS, THE FOREIGN MINISTRY HAS TAKEN A SECOND LOOK AT ITS ECONOMIC COOPERATION PROJECTS IN PERU WHICH DIRECTLY HELP TO THE POOR.

ACCORDING TO A SENIOR OFFICIAL, THE FOREIGN MINISTRY HAS JUDGED THAT JAPAN'S ODA PROGRAMS HAVE BEEN HELPFUL TO THE POOR THROUGH SUCH GRANT AID PROGRAMS AS AID TO INCREASE FOOD PRODUCTION, AS WELL AS FOR THE CONSOLIDATION OF MEDICAL SUPPLIES, AND TECHNICAL COOPERATION, INCLUDING THE INTRODUCTION OF A FAMILY PLAN AND A CHILD AND MATERNAL HEALTH SYSTEM. THE MINISTRY HAS RECONFIRMED THAT THE ODA PROGRAMS TO PERU HAVE BEEN EFFECTIVE.

FOREIGN MINISTRY TO APPOINT SPECIAL INDEPENDENT AMBASSADOR FOR ENVIRONMENTAL AFFAIRS (ASAHI - PAGE 2)

IN PREPARATION FOR A NUMBER OF INTERNATIONAL CONFERENCES ON THE ENVIRONMENTAL ISSUES PLANNED TO BE HELD INSIDE AND OUTSIDE JAPAN THIS YEAR, THE MINISTRY OF FOREIGN AFFAIRS (MOFA) DETERMINED YESTERDAY TO ESTABLISH AN ENVIRONMENT AMBASSADORIAL POSITION BY SEPARATING IT FROM THE PRESENT UNCLAS SECTION 02 OF 07 TOKYO 000224

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E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 10

POSITION OF AMBASSADOR FOR INTERNATIONAL TRADE, ECONOMIC AND GLOBAL ENVIRONMENTAL PROBLEMS." IT WILL APPOINT PRESENT AMBASSADOR TO BAHRAIN TOSHIKI TANABE TO THAT POSITION AS OF THE 13TH. THE MINISTRY VIEWS THIS YEAR, WHICH WILL REACH A CLIMAX WITH THE UNITED NATIONS SPECIAL GENERAL ASSEMBLY FOR THE ENVIRONMENT TO TAKE PLACE, AS "A YEAR DURING WHICH INTERNATIONAL INTEREST WILL BE FOCUSED ON THE ENVIRONMENTAL ISSUES" (SENIOR MOFA OFFICIAL). BY NAMING AN OFFICIAL FOR THE POSITION OF AN INDEPENDENT ENVIRONMENT AMBASSADOR, THE MINISTRY INTENDS TO DISPLAY TO THE INTERNATIONAL COMMUNITY JAPAN'S LEADERSHIP CAPABILITY IN DEALING WITH THE ENVIRONMENTAL ISSUES.

MOFA, AT THE SAME TIME AS ISSUING AN OFFICIAL ANNOUNCEMENT OF AMBASSADOR TANABE'S APPOINTMENT TO THAT POSITION, WILL BRING INTO FULL-SCALE OPERATION THE WORKING OFFICE FOR THE THIRD TREATY NATIONS MEETING ON THE FRAMEWORK CONVENTION ON CLIMATE CHANGE (COP3). A COP3 MEETING IS TO OCCUR IN KYOTO CITY IN DECEMBER THIS YEAR, AND ON THAT OCCASION, STEPS TO PREVENT THE WARMING OF THE EARTH IN OR AFTER THE YEAR 2000 WILL BE DECIDED. THE JAPANESE GOVERNMENT, AS A CHAIR NATION, WILL SERVE AS A COORDINATOR FOR ADJUSTING DIFFERENT VIEWS OF VARIOUS COUNTRIES IN ORDER TO ADOPT A PROTOCOL.

IN ADDITION, IN LATE APRIL, A "FORUM FOR FUTURE PREDICTIONS FOR THE ENVIRONMENT" TO GROPE FOR A POSSIBILITY OF INTERNATIONAL COOPERATION IN THE FUTURE ENVIRONMENTAL SECTOR WILL BE HELD IN THE UNITED STATES. IN LATE JUNE, THE UN SPECIAL GENERAL ASSEMBLY ON THE ENVIRONMENT WILL BE HELD IN NEW YORK TO SUM UP ACTIONS TAKEN AFTER THE UN ENVIRONMENT AND DEVELOPMENT COUNCIL HELD IN RIO DE JANEIRO. ACCORDING TO MOFA, MORE THAN 10 CONFERENCES, MORE THAN DOUBLE THE NUMBER OF SUCH CONFERENCES HELD USUALLY, ARE EXPECTED TO TAKE PLACE, EVEN LIMITED ONLY TO MAJOR INTERNATIONAL MEETINGS FOR THE ENVIRONMENT.

THE ENVIRONMENT AMBASSADOR WILL JOIN SUCH INTERNATIONAL CONFERENCES AND WILL ADJUST THE INTERESTS OF VARIOUS COUNTRIES IN VIEW OF THEIR ECONOMIC DEVELOPMENT SPEED. IN ADDITION, THE AMBASSADOR WILL ENGAGE IN COMPILING JAPAN'S PROPOSALS FOR THE ENVIRONMENT ISSUES, WHICH WILL BE DEALT WITH IN THE GROUP OF SEVEN INDUSTRIALIZED NATIONS SUMMIT TO OCCUR IN DENVER, THE U.S. AND IN OTHER CONFERENCES.

NORTH KOREAN BALLOONS REACHING JAPAN: TESTING FOR FUTURE CHEMICAL WEAPONS TERRORISM? (SANKEI - TOP PLAY)

A NUMBER OF BALLOONS HAVE COME FLYING OVER FROM THE KOREAN PENINSULA INTO THE SKIES OVER JAPAN SINCE APRIL 1995, AND SOME OF THOSE BALLOONS HAD CARRIED SUSPICIOUS POLY-CONTAINERS MECHANIZED TO DROP AND MIX LIQUID CONTENTS WITH THE AID OF A DELAYED ACTION DEVICE. THIS FACT HAS BEEN UNVEILED IN A GOVERNMENT OFFICIAL'S ACCOUNTS AS OF JANUARY 9. THOSE PLASTIC POTS DO NOT SEEM TO HAVE CONTAINED ANY PERNICIOUS LIQUIDS, BUT THEY WERE EQUIPPED WITH A SYSTEM THAT CAN CARRY OUT EVEN A TERRORIST ATTACK BY THE USE OF BIOLOGICAL AND CHEMICAL WEAPONS. JUDGING FROM SUCH FACTORS AS THE STRUCTURE OF THOSE BALLOONS AND THE TIMING OF THEIR ARRIVAL IN JAPAN, GOVERNMENT OFFICIALS ARE CAUTIOUSLY TAKING IT THAT NORTH KOREA MIGHT HAVE INTENTIONALLY RELEASED THEM TO JAPAN AS AN EXPERIMENT OF TERRORIST ATTACKS.

BALLOONS FROM THE KOREAN PENINSULA WERE OFTEN DISCOVERED IN AND AFTER 1975, AND ABOUT 200 WERE CONFIRMED IN 1986. MOST OF THOSE BALLOONS WERE FLOWN BY NORTH KOREA FOR THE PURPOSE OF SCATTERING PROPAGANDA HANDBILLS IN THE SKIES OVER THE REPUBLIC OF KOREA, AND SOME OF THEM WERE DRIVEN BY WIND OVER TO JAPAN. THIS HAS BEEN CONFIRMED BY THE JAPANESE GOVERNMENT'S INQUIRY WITH THE ROK AUTHORITIES. UNCLAS SECTION 03 OF 07 TOKYO 000224

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FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

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HOWEVER, THE BALLOONS THAT CAME FLYING OVER TO JAPAN ABOUT FIVE TIMES IN ALL FROM THE SPRING OF 1995 TO THE SUMMER OF 1996 WERE FOUND TO HAVE CARRIED COMPLEX POLY-CONTAINERS UNLIKE THE PREVIOUS ONES THAT USED TO HAVE WEIGHTS OR SOMETHING ELSE. EVEN MORE, THEY WERE ALSO

FOUND TO BE DIFFERENT AS THEIR BUILT-IN TIMERS WERE SET TO WORK IN ABOUT TEN HOURS -- UNLIKE THOSE FOR HANDBILL SCATTERING AS SUCH WERE ABOUT FOUR HOURS DELAYED IN ACTION.

ACCORDING TO PUBLIC SECURITY OFFICIALS, THOSE NEW-TYPE BALLOONS CAME FLYING IN APRIL, MAY, AND AUGUST 1995, AND IN JUNE AND JULY 1996. IT HAS BEEN CONFIRMED THAT THERE WERE 80 TO 100 BALLOONS IN EACH FLIGHT. THEY FELL NOT ONLY IN TOHOKU AND KANTO AREAS BUT ALSO IN DISTRICTS ALONG THE SHORE OF THE SEA OF JAPAN AND IN KANSAI AREAS.

FURTHERMORE, THE FLIGHTS OF THOSE BALLOONS WERE RIGHT AFTER SUCH EVENTS AS THE SUBWAY SARIN NERVE GAS ATTACK INCIDENT (IN MARCH 1995), THE MEETING OF JAPAN DEFENSE AGENCY DIRECTOR GENERAL TOKUICHIRO TAMAZAWA (AT THAT TIME) AND A ROK VICE MINISTER OF NATIONAL DEFENSE (IN MAY 1995), AND THE U.S.-ROK JOINT EXERCISES (IN AUGUST 1995).

A GOVERNMENT OFFICIAL POINTS OUT THAT NORTH KOREA HAD LAUNCHED THE BALLOONS AROUND WEONSA, JUDGING FROM SUCH ELEMENTS AS: (1) THE FACT THAT THE ROK GOVERNMENT DID NOT FLY THEM; (2) THE TIMING OF THE FLIGHTS OF THE BALLOONS AND THE STRUCTURE OF THE BALLOONS; AND (3) THE CONDITION OF THE AIR CURRENT ON THE DAYS THE BALLOONS CAME FLYING OVER TO JAPAN. BASED ON THIS VIEW, THE OFFICIAL CONTINUED, "THE POSSIBILITY IS HIGH THAT NORTH KOREA MIGHT HAVE BEEN TESTING A TERRORIST ATTACK THAT WOULD MAKE USE OF BIOLOGICAL AND CHEMICAL WEAPONS AND WAS ISSUING A POLITICAL WARNING AND THREAT TO THE JAPANESE GOVERNMENT."

GOVERNOR OTA PLANS APRIL VISIT TO U.S. TO REQUEST DRAWDOWN OF U.S. TROOPS ON OKINAWA (ASAHI - PAGE 1)

IN AN INTERVIEW WITH THE ASAHI SHIMBUN, OKINAWAN GOVERNOR MASAHIDE OTA REVEALED HIS INTENTION THAT DURING THIS YEAR, WHICH MARKS THE 25TH ANNIVERSARY OF THE RETURN OF OKINAWA, HE WOULD FORMALLY MAKE A REQUEST OF THE UNITED STATES GOVERNMENT TO REDUCE ITS MARINE CORPS' PERSONNEL IN OKINAWA, WITH THE AIM BEING FULLY REALIGN AND REDUCE THE PRESENCE OF U.S. MILITARY BASES THERE. HE PLANS TO VISIT THE U.S. AS EARLY AS APRIL TO EXPLAIN THE PRESENT SITUATION OF THE BASES. HE THEN WILL CALL FOR REDUCING THE MILITARY STRENGTH ON OKINAWA BY WITHDRAWING THE HELICOPTER UNIT (ESTIMATION OF 2,700-STRONG) AT THE FUTENMA AIR STATION AS A FIRST STEP.

THE JAPAN-U.S. SPECIAL ACTION COMMITTEE ON OKINAWA (SACO) INCLUDED IN ITS FINAL REPORT COMPILED LAST MONTH THE RETURN OF APPROXIMATELY 21 PERCENT OF THE 11 U.S. MILITARY FACILITIES ON OKINAWA. GOVERNOR OTA HIGHLY EVALUATED THE DECISION, SAYING THAT "THE ISSUE IMPROVED ONE STEP FORWARD." HE, HOWEVER, HAS POINTED OUT THAT EVEN IF THE PLANNED REVERSION IS REALIZED, 70 PERCENT OF THE LAND USED BY THE ENTIRE U.S. FORCES IN JAPAN AND 60 PERCENT OF ITS MILITARY STRENGTH WILL STILL REMAIN IN OKINAWA BECAUSE THE CONDITION IS ATTACHED THAT THE

FACILITIES SHOULD BE RELOCATED WITHIN THE PREFECTURE. HE EXPRESSED HIS VIEW THAT "UNLESS REDUCTION OF THE MILITARY STRENGTH IS CARRIED OUT AIMING AT THE RELOCATION OF THE FACILITIES TO HAWAII AND GUAM, THE CONSOLIDATION AND SCALE DOWN OF THE BASES WILL NOT BE REALIZED. AS A RESULT, THE BASES ISSUE WILL NOT BE SOLVED."

SHINSHINTO SECURITY PROPOSALS, INCLUDING MULTINATIONAL FORCE PARTICIPATION, DRAW FIRE IN PLENARY
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USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 10

(MAINICHI - PAGE 2)

THE SHINSHINTO (NEW FRONTIER PARTY) IN ITS PLENARY SESSION HAS REVEALED ITS SECURITY POLICY LINE APPROVING "CONDITIONAL" PARTICIPATION IN A MULTINATIONAL FORCE. DUE TO THE LIMITED TIME FRAME FOR THE SESSION, MEMBERS WILL MEET AGAIN ON THE 14TH TO DISCUSS SPECIFICS. THE NEW INTERPRETATION OF THE CONSTITUTION ALLOWING THE CONDITIONAL USE OF FORCE OVERSEAS HAS ALREADY COME UNDER CRITICISM FROM THE KOMEI, A PARTY FRIENDLY TO THE SHINSHINTO.

THE SHINSHINTO'S ACTION PROGRAM STIPULATES THAT IT DOES NOT APPROVE THE EXERCISE OF THE RIGHT OF COLLECTIVE SELF-DEFENSE (SHUDANTEKI JIEIKEN), A LONG-STANDING ISSUE. IN CONTRAST TO OZAWA'S EARLIER IMPLICATION ALLOWING THE LIMITED EXERCISE OF THE COLLECTIVE RIGHT IN HIS INTERPRETATION OF THE CONSTITUTION, THE NEW TEXT IS OBVIOUSLY TINGED WITH DOVISH OVERTONES.

AT THE SAME TIME, THE PAPER APPROVES "PARTICIPATION IN PEACE-RECOVERING ACTIVITIES AGAINST AGGRESSION" ON THE CONDITION OF "FINDING OUT THE PEOPLE'S WILL BY A DIET RESOLUTION AND OTHER MEANS."

SEEMINGLY, THIS PART WAS ARRIVED AT FROM THE MULTINATIONAL FORCE DURING THE GULF WAR. OZAWA EXPLAINS: "SUCH AN ACTION SHOULD BE ALLOWED UNDER THE CONSTITUTION BECAUSE SUCH IS FOR PROTECTING INTERNATIONAL PEACE AND IS 'COMPLETELY DIFFERENT' FROM RESORTING TO FORCE AS THE EXERCISE OF THE SELF-DEFENSE RIGHT."

IN REACTION, THE KOMEI'S ORGAN PAPER CARRIED A BY-LINE

ARTICLE IN ITS JANUARY 9 ISSUE, WHICH WENT: "IT IS IRRATIONAL TO INTERPRET THE PRESENT CONSTITUTION THAT PARTICIPATING IN A MULTINATIONAL FORCE IS FEASIBLE. WE SUSPECT A SERIOUS SHIFT IN THE INTERPRETATION OF THE CONSTITUTION THERE THAT IS TANTAMOUNT TO A CONSTITUTIONAL REVISION."

SECURITY IS A MAJOR ISSUE THAT WILL UNDOUBTEDLY AFFECT THE NEW PHASE OF POLITICAL REALIGNMENT. THE GOVERNMENT AND THE RULING CAMP HAVE BEEN AVOIDING FOCUSING ON THIS TYPE OF ISSUE. IN FACT, EXCEPT FOR THE JAPAN COMMUNIST PARTY (JCP), NO OTHER PARTY HAS DISCUSSED IT THOROUGHLY. THE DEVELOPMENT OF THE SHINSHINTO POLICY LINE REMAINS TO BE SEEN. (KEN YAMADA)

SHINSHINTOQS 18 TRILLION YEN TAX CUT NOTION CRITICIZED HEAVILY IN PLENARY MEETING (NIHON KEIZAI - PAGE 2)

THE SHINSHINTO (NEW FRONTIER PARTY) HELD ITS PLENARY SESSION IN TOKYO ON THE 9TH. THE PURPOSE WAS TO DISCUSS ITS "BASIC POLICY VISION FOR RECONSTRUCTING JAPAN" THAT FEATURES THE SELF-DEFENSE FORCES' (SDF) PARTICIPATION IN A MULTINATIONAL FORCE AND THE 18 TRILLION YEN TAX CUT PROGRAM. IN THE SESSION, MEMBERS EXPRESSED CRITICISM IN SUCCESSION AGAINST THE 18 TRILLION YEN TAX CUTS AND THE PROGRAM TO SLASH 20 TRILLION YEN IN ANNUAL EXPENDITURE. NO UNIFIED VIEW WAS PRODUCED IN THE SESSION. MEMBERS WILL MEET AGAIN ON THE 14TH TO DISCUSS SPECIFICS ON THE BUDGET AND SECURITY.

THE PARTY LEADERSHIP LED BY PRESIDENT ICHIRO OZAWA INTENDS TO LET THE RESULTS OF THIS DISCUSSION REFLECT IN OZAWA'S REPRESENTATIVE INTERPELLATION AND PRESENT A "BASIC LAW BILL FOR RECONSTRUCTING JAPAN" (TENTATIVE NAME) TO THE NEXT REGULAR DIET.

YESTERDAY'S SESSION DREW ABOUT 160 MEMBERS FROM THE TWO HOUSES. IN AN OPENING SPEECH, OZAWA REMARKED: "THE SHINSHINTO WAS LAUNCHED UNDER THE BANNER OF REFORM. WE WILL NOT BE ABLE TO WIN THE PEOPLE'S SUPPORT OR THEIR
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USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 10

TRUST IF WE ARE THE SAME AS OTHERS. WHAT THE PEOPLE WANT IS A VISION OR A CLEAR DIRECTION TOWARD THE FUTURE."

BUT THE 18-TRILLION-YEN TAX CUT PLAN DREW HEAVY CRITICISM, SUCH AS: "I AM OPPOSED IT BECAUSE SUCH WOULD ONLY FURTHER FEED OUR CONSPICUOUS CONSUMPTION SOCIETY" (KAZUO AICHI); AND "WE NEED SPECIFIC FINANCIAL RESOURCES TO MAKE IT MORE CONVINCIBLE" (JUNIOR MEMBER). IN ADDITION, MANY CALLED FOR "INDICATING THE GROUNDS FOR SUCH A CALCULATION" TO ACHIEVE THE SLASHE1 ANNUAL EXPENDITURE GOAL BY MEANS OF ADMINISTRATIVE REFORM.. FORMER PRIME MINISTER MORIHIRO HOSOKAWA ALSO ARGUED, "IN THE REPRESENTATIVE INTERPELLATION, WE NEED TO PLACE GREATER EMPHASIS ON PROVING TO WHAT EXTENT THE EXPENDITURE SHOULD BE HELD DOWN IN ORDER TO AVOID THE CONSUMPTION TAX HIKE."

OZAWA REBUTTED: "AT PRESENT, THE GOVERNMENT IS ISSUING ABOUT 20 TRILLION YEN OF GOVERNMENT BONDS ANNUALLY. WE CAN CUT TAXES IF WE ARE SERIOUS AND DETERMINED ENOUGH."

FINANCE MINISTRY PLANS TO DRASTICALLY REVISE SUBSIDY SYSTEM IN FIVE YEARS (YOMIURI - TOP PLAY)

IN AN EFFORT TO DRASTICALLY SLASH SUBSIDIES -- WHICH HAVE BECOME A FACTOR IN THE EXPANSION OF THE SIZE OF THE NATION'S FISCAL ACCOUNT, THE MINISTRY OF FINANCE (MOF) HAS DECIDED TO ADOPT A SUNSET-CLAUSE FORMULA (SETTING A TERMINATION DATE), UNDER WHICH SUBSIDIES AFTER A CERTAIN FIXED PERIOD WILL BE IN PRINCIPLE TERMINATED. "INCENTIVE SUBSIDIES" GRANTED AS SUBSIDIES FOR SPECIFIED INDUSTRIES OR FOR REGIONAL INDUSTRIAL PROMOTION WILL BECOME SUBJECT TO SUCH A SYSTEM. THE PERIOD OF THE SUNSET-CLAUSE WILL BE FIVE YEARS IN PRINCIPLE. SUBSIDIES FOR COMPULSORY EDUCATION AND THOSE FOR POLITICAL PARTIES WILL BE EXEMPT FROM THIS FORMULA, BUT UP TO 1,139 ITEMS WILL BECOME SUBJECT TO IT. THE GOVERNMENT PLANS TO SUBMIT FISCAL RECONSTRUCTION LEGISLATION TO THE NEXT REGULAR DIET SESSION. THE IDEA IS TO INCLUDE THE PROPOSAL FOR CONSOLIDATING SUBSIDIES USING THE SUNSET FORMULA IN IT.

SUBSIDIES ARE BUDGETARY APPROPRIATIONS WHICH THE NATIONAL GOVERNMENT OUTLAYS TO LOCAL GOVERNMENTS, PUBLIC CORPORATIONS (TOKUSHU HOJIN) AND PRIVATE ORGANIZATIONS. THEY INCLUDE ITEMS CALLED GRANTS (JOSEIKIN), SUBSIDIES (KOFUKIN) AND SHARED FUNDS (FUTANKIN). THESE SUBSIDIES COVER WIDE-RANGING AREAS. SUCH AN AMOUNT IN THE FISCAL 1996 BUDGET TOTALED 18.7366 TRILLION YEN, COMMANDING AS MUCH AS 43 PERCENT OF "GENERAL ACCOUNT EXPENDITURES" -- GENERAL OPERATING OUTLAYS BY THE STATE.

CRITICISM IS INCREASINGLY COMING OUT AGAINST SUBSIDIES, SUCH AS: (1) THEY ARE IMPAIRING THE AUTONOMOUS NATURE OF LOCAL GOVERNMENTS REGARDING POLICY-MAKING OR (2) ONCE SUBSIDIES ARE GRANTED, IT TENDS TO BECOME A VESTED RIGHT; AS A RESULT, IT BECOMES DIFFICULT TO ABOLISH SUCH EVEN IF THEIR NECESSITY WEAKENS. SOME HAVE POINTED OUT THAT SUBSIDIES ARE A BREEDING GROUND FOR THE RECENT SERIES OF SANDALS INVOLVING BUREAUCRATS.

THE GOVERNMENT IS PRESSING AHEAD WITH A REVIEW OF ROLE-SHARING BETWEEN THE NATIONAL AND LOCAL GOVERNMENTS AND CONSOLIDATION OF SIMILAR KINDS OF SUBSIDIES. YET THE TOTAL AMOUNT OF GOVERNMENT SUBSIDIES HAS INCREASED SINCE FISCAL 1990 AT A YEARLY PACE OF 2 - 5 PERCENT.

UNDER SUCH CIRCUMSTANCES, MOF HAS DECIDED TO DRIVE HOME A SUNSET-CLAUSE FORMULA, UNDER WHICH THE TERM OF THE GRANTING OF SUBSIDIES IS LIMITED TO FIVE YEARS BEFOREHAND, AND WHEN THE TERM EXPIRES, A BASIC REVIEW IS CARRIED OUT ON THE PREMISE OF SCRAPPING SUCH IN PRINCIPLE.

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USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 10

SUBSIDIES ARE CATEGORIZED INTO TWO -- "LEGAL SUBSIDIES," SUCH AS THE BURDEN TO THE NATIONAL TREASURY FOR COMPULSORY EDUCATION, WHOSE GROUNDS ARE STIPULATED UNDER LAW, AND "BUDGETARY SUBSIDIES," WHICH ARE EXTENDED FROM A POLICY PERSPECTIVE, ALTHOUGH THERE ARE NO LEGAL GROUNDS. THOSE SUBSIDIES INCLUDE ONES FOR THE HOUSING LOAN CORPORATION.

THE SUNSET-CLAUSE FORMULA ADOPTED THIS TIME WILL HAVE AS ITS TARGET SUBSIDIES GRANTED AS "BUDGETARY SUBSIDIES," EXCLUDING PUBLIC WORKS PROJECT-RELATED ITEMS WHOSE CONSTRUCTION PERIODS HAVE ALREADY BEEN FIXED. AMONG ALL SUBSIDIES, WHICH AMOUNT TO 2,223 ITEMS, 1,139 WILL BECOME SUBJECT TO THE NEW SYSTEM.

OF THE 1,139, THE TERMINATION TIME IS ALREADY SET IN SOME FORM OR OTHER FOR 445 ITEMS. THE PLAN IS TO MAKE ALL OF THE 1,139 ITEMS SUBJECT TO THE NEW SYSTEM, INCLUDING A REVIEW OF THOSE 445. HOWEVER, EXCEPTIONS WILL BE CREATED FOR SOME ITEMS THAT DO NOT SIT WELL WITH THE IDEA OF SETTING A TERMINATION TIME, SUCH AS SUBSIDIES TO POLITICAL PARTIES.

MOF WILL GO ALONG WITH THE WORK OF ESTABLISHING A LEGAL FRAMEWORK, WHILE PEERING DOWN THE ROAD REGARDING DISCUSSIONS PURSUED BY THE DECENTRALIZATION PROMOTION COMMITTEE, WHICH IS NOW TAKING A SECOND LOOK AT SUBSIDIES IN GENERAL. AS AN OPTION IN CASE THERE ARISES A DELAY IN SUCH WORK, MOF PLANS TO UPGRADE THE PROPOSED PLAN TO A

SYSTEM WITH MORE BINDING POWER, BY OBTAINING CABINET APPROVAL.

U.S. ASSISTANT SECRETARY MAKES ANOTHER PITCH FOR OPEN SKIES (NIHON KEIZAI - PAGE 7)

ASSISTANT SECRETARY OF STATE DEPARTMENT LARSON, THE UNITED STATES' REPRESENTATIVE IN JAPAN-U.S. CIVIL AVIATION TALKS, GAVE A PRESS CONFERENCE AT THE JAPAN CORRESPONDENTS CLUB YESTERDAY, IN WHICH HE INDICATED THAT THE U.S. WOULD REQUEST JAPAN ANEW THE CONCLUSION OF AN OPEN-SKIES TREATY DESIGNED TO LIBERALIZE ROUTES AND THE NUMBER OF FLIGHTS. HE ALSO STATED THAT IF JAPAN AND THE U.S. REACHED AGREEMENT ON THE LIBERALIZATION POLICY AS THEIR FINAL GOAL, "THE U.S. WOULD LOOK INTO THE POSSIBILITY OF INTRODUCING (LIBERALIZATION STEPS) IN STAGES." JAPAN HAS REFUSED THE U.S. REQUEST, A MINISTRY OF TRANSPORT CIVIL AVIATION BUREAU OFFICIAL SAYING "THE U.S. HAS REQUESTED JAPAN TO LIBERALIZE ROUTES WHILE CLOSING ITS U.S. MARKET. JAPAN CANNOT ACCEPT SUCH A PROPOSAL." AS IT STANDS, THE SUB-CABINET-LEVEL TALKS SET FOR THE 10TH ARE LIKELY TO ENCOUNTER DIFFICULTY.

IN TALKS ON AIR PASSENGER SERVICES, JAPAN HAS INSISTED ON THE NEED TO "CORRECT THE CURRENT UNEQUAL RIGHTS," PROPOSING A FREE-OPERATION SETUP FOR TWO JAPANESE AND U.S. AIRLINES EACH, WHEREAS THE U.S. HAS CALLED FOR AN OPEN-SKIES POLICY, INCLUDING UNRESTRICTED OPERATION OF FLIGHTS BEYOND JAPAN TO THIRD COUNTRIES.

ASSISTANT SECRETARY LARSON REVEALED A STANCE OF PRESSING JAPAN TO ACCEPT THE U.S. REQUEST, REMARKING THAT JAPAN'S PROPOSAL "CONTAINS MANY PROBLEMS, FOR INSTANCE, ADDITIONAL RESTRICTIONS ON BEYOND RIGHTS AND DEPRIVATION OF OPPORTUNITIES FOR U.S. COMPANIES TO ENTER THE JAPANESE MARKET."

THE MINISTRY OF TRANSPORT HAS REACTED NEGATIVELY, AN OFFICIAL SAYING "WHILE UPHOLDING U.S. CARRIERS' ADVANTAGEOUS RIGHTS, THE U.S. HAS REQUESTED THE OTHER SIDE TO OPEN THE SKIES. SUCH A POLICY LINE CONTAINS BASIC PROBLEMS."

U.S. ASKS WTO TO MEDICATE LIQUOR TAX DISPUTE WITH JAPAN
UNCLAS SECTION 07 OF 07 TOKYO 000224

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 10

(NIHON KEIZAI - PAGE 5)

IT WAS LEARNED YESTERDAY THAT THE UNITED STATES, DISSATISFIED WITH JAPAN'S TAX CORRECTION PLANS, HAS ASKED THE WORLD TRADE ORGANIZATION (WTO) TO ACT AS ARBITRATOR ON THE ISSUE OF CORRECTING THE GAP IN JAPAN'S TAXES ON SUCH DISTILLED LIQUOR AS SHOCHU (DISTILLED SPIRITS) AND WHISKY. JAPAN WILL SEEK U.S. UNDERSTANDING IN BILATERAL TALKS SCHEDULED FOR NEXT WEEK IN WASHINGTON, BUT IN CASE THE TALKS END IN FAILURE, WTO IS NOW LIKELY TO INSTRUCT JAPAN TO SHORTEN ITS PLAN.

THE JAPANESE GOVERNMENT LAST DECEMBER COMPILED FINAL PLANS TO RAISE THE SHOCHU AND OTHER LIQUOR TAX RATES 2.4 TIMES HIGHER THAN THE CURRENT LEVELS AT MAXIMUM AND TO IMPLEMENT A MEASURE TO REDUCE THE WHISKY TAX BY 58 PERCENT OVER FIVE YEARS BY OCTOBER, 2001. UNDER WTO RULES, HOWEVER, THE CORRECTION PERIOD IS SET AT LESS THAN 15 MONTHS IN PRINCIPLE, AND THE FOCUS IS NOW ON WHETHER THE OTHER SIDE WOULD ACCEPT A LONGER PERIOD THAN THAT.

THE EUROPEAN UNION (EU) AND CANADA, OTHER TRADE PARTNERS OF JAPAN, HAVE AGREED ON JAPAN'S PLANS IN GENERAL BUT HAVE CONTINUED TALKS WITH THE U.S., SAID AN INFORMED SOURCE. IN RESPONSE TO THE U.S. APPLICATION, THE WTO HAS ALREADY STARTED PROCEDURES TO SELECT ARBITRATORS, AND WILL JUDGE A "PROPER CORRECTION PERIOD" BY THE END OF JANUARY.

JAPAN IS POISED TO ALSO PROPOSE DURING THE PLANNED BILATERAL TALKS A REDUCTION OF ITS TARIFFS ON DISTILLED LIQUOR, IN HOPES OF BRINGING A SETTLEMENT TO THE ISSUE BEFORE THE WTO HANDS DOWN A JUDGMENT.

FUNADA TO RETURN TO THE LDP (MAINICHI - PAGE 2)

FORMER ECONOMIC PLANNING AGENCY DIRECTOR GENERAL HAJIME FUNADA OF THE LOWER-HOUSE GROUP "21ST CENTURY" ON THE 9TH MADE UP HIS MIND IN PRINCIPLE TO RETURN TO THE LIBERAL DEMOCRATIC PARTY (LDP). FUNADA PLANS TO SEE SECRETARY GENERAL KOICHI KATO SOON TO CONVEY HIS DECISION TO RETURN TO THE LDP BEFORE THE NEXT REGULAR DIET STARTS ON THE 20TH. HE IS GOING TO EXPEDITE COORDINATION WITH THE REMAINING 21ST CENTURY MEMBERS AS WELL AS WITH LOCAL SUPPORTERS. CRANE

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SIT: NSC

Cable

PREC: IMMEDIATE
CLASS: UNCLASSIFIED
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LINE2: ZNR UUUUU ZZH
LINE3: O 100833Z JAN 97
LINE4: FM AMEMBASSY TOKYO
OSRI: RUEHKO
DTG: 100833Z JAN 97
ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 1420
INFO: RUEKJCS/DIA WASHDC IMMEDIATE
RHEHAAA/WHITEHOUSE WASHDC IMMEDIATE
RUEKJCS/SECDEF WASHDC IMMEDIATE
RUCPDO/USDOC WASHDC IMMEDIATE
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RUEHKOS/AMCONSUL SAPPORO 9666
RUESDJ/FBIS OKINAWA JA
RUCWAAB/FBIS RESTON VA
RUAYJAA/COMPATWING ONE KAMI SEYA JA
RUAGJHA/CGUSARJ CAMP ZAMA JA//IX CORPS G5//
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RUEHKON/AMCONSUL NAGOYA 9860
SUBJ: JAPANESE DAILY PRESS SUMMARY 01/10/97
TEXT:
UNCLAS SECTION 01 OF 09 TOKYO 000265
DEPT FOR E, P, PM, EB, EAP/J AND S/AL
USIA FOR MR AND REA
WHITE HOUSE FOR NSC ROTH
WHITE HOUSE FOR NEC CUTTER
JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION
COMMERCE FOR JEAN GRIER IN GENERAL COUNCILQS OFFICE, DAS
TREASURY FOR OASIA/IMI/JAPAN
DEPT PASS USTR FOR SHAPIRO/WOLD
DEPT PASS ELECTRONICALLY TO USDA FAS/ITP FOR SCHROETER
E.O. 12958: N/A
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(2) YKK Trio (Yamasaki, Kato and Koizumi) and Mori and Kamei to Strengthen Ties to Secure Leadership in LDP

(3) Asserting Opinions in a Constrained Way Urged for the Diplomatic Stage

(4) Warning from the Year 2020 -- Section 1: Japan Will Disappear (Part 7)

(5) Kisha Techo (Correspondent's Note): Fissure between Two Minshuto Leaders Growing Deeper

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(1) Hashimoto's Ship of State Faces High Waves in 1997

YOMIURI (Page 2) (Excerpts)
January 3, 1997

Scenario I: Crisis in March Due to Izui Oil Scandal

The next regular Diet will start on January 20. Some predict, "Political scandals may lead to an initial hurdle in the first half of the Diet" (senior Liberal Democratic Party (LDP) member). Such an opinion derived from the observation that police investigation into the scandal involving oil broker Izui may spread to the Government and the LDP. If such occurs, the Social Democratic Party (SDP), along with the Minshuto (Democratic Party of Japan), may severely pursue the Prime Minister's responsibility and bring the Budget Committee session briefly to a halt.

What is being whispered among Diet affairs committee members of both camps is the March crisis theory predicting that if such a scandal directly hits the Hashimoto Administration, Prime Minister Hashimoto may have to step down in exchange for passing the FY1997 budget.

In addition, some suspect that if coordination among the LDP, SDP and Sakigake falls through over such issues as the medical insurance reform program and the consumption tax hike for April, a subject that may develop into a review of the consumption tax system itself, the SDP, which has begun to take its own course under the leadership of Takako Doi, may throw a wet blanket on the budgetary bill.

Scenario II: A Critical Turn in June; Fissure with

SDP over "Base"

Land leases on 12 U.S. Okinawa base facilities,
including Kadena Air Base, will expire on May 15.
UNCLAS SECTION 02 OF 09 TOKYO 000265

DEPT FOR E, P, PM, EB, EAP/J AND S/AL
USIA FOR MR AND REA
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A view calling for speedy legislation for the continued use of U.S. base facilities is expected to grow stronger in the Government and the LDP in order to avoid causing a legal void. In reaction, the SDP's opposition would be inevitable. Despite that, if the Government and the LDP push ahead with special legislation, the SDP may opt to walk away from the framework of the ruling camp.

Furthermore, if the Shinshinto (New Frontier Party) decides to file a no-confidence motion against the Hashimoto Cabinet toward the end of the Diet when the LDP-SDP-Sakigake arrangement is still shaky, the SDP may take concerted action with the Shinshinto. An observation is afloat in the LDP that the passage of a no-confidence motion would lead to a lower-house dissolution.

Scenario III: A New Coalition Arrangement with Minshuto and Taiyoto

Some others predict that if the Hashimoto Cabinet topples over some kind of scandal, the LDP would turn to the Taiyoto's (Sun Party) Tsutomu Hata and/or the Shinshinto's Morihiro Hosokawa to consolidate the conservative forces.

Another theory is that the LDP would continue to support "Prime Minister Hashimoto" but would dump the SDP to launch a new "coalition" with the Minshuto, Taiyoto and Hosokawa.

Such a new arrangement may be triggered by a Diet vote on the 1997 budget or special legislation for the U.S. bases.

Another dominant view is that the Prime Minister would reshuffle his Cabinet in the fall to solidify

his bedrock for the sake of administrative reform and add the Minshuto and Taiyoto to the present LDP-SDP-Sakigake arrangement.

No Strong Rival in LDP to Block Hashimoto's Reelection

Prime Minister Ryutaro Hashimoto's term as LDP president will run out at the end of September. Secretary General Koichi Kato and other executives have been working hard to accomplish Hashimoto's reelection. If the LDP can surmount the regular Diet flawlessly in close cooperation with the SDP and Sakigake, Hashimoto may be able to grab his second term without voting by riding on the crest of administrative reform. In the past, Hiroshi Mitsuzuka and Jun'ichirō Koizumi have sought the LDP presidency, but they are now finance minister and health and welfare minister, respectively. So unless Hashimoto make a serious blunder, there is no strong rival at the moment.

(2) YKK Trio (Yamasaki, Kato and Koizumi) and Mori and Kamei to Strengthen Ties to Secure Leadership in LDP; To Hold Meeting Every Month; Possibly UNCLAS SECTION 03 OF 09 TOKYO 000265

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Worried about Re-unification of Former Takeshita Faction Forces

MAINICHI (Page 2) (Full)
January 9, 1997

It was learned on the 8th that the YKK trio -- Liberal Democratic Party Policy Affairs Research Council Chairman Taku Yamasaki, Secretary General Koichi Kato and Health and Welfare Minister Jun'ichiro Koizumi -- and Executive Council Chairman Yoshiro Mori and Construction Minister Shizuka Kamei were trying to set up regular meetings. They plan to hold the first meeting on the 28th. After that, they intend to open a meeting once a month. With an eye on the party's presidential election in September, the five, who

have called for generational change in the party, are apparently maneuvering to strengthen their unity, aiming at securing the leadership of the party. The move by the influential members from the former Mitsuzuka, Miyazawa, and Watanabe factions will likely create a great sensation.

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The YKK trio had previously cooperated each other under the rubrics of generational change and being against the Keiseikai (former Takeshita faction). But in the party presidential election in 1995, Kato and Yamasaki backed Prime Minister Ryutaro Hashimoto, even though Koizumi stood as a candidate. After that, holding a common strategy among the three had been difficult. Mori supported Koizumi, but Kamei backed Hashimoto. The five have taken different positions.

The reason behind the move is a sense of crisis toward the possibility of again rallying together of the former Takeshita faction members, who have been split into the LDP and Shinshintō (New Frontier Party). Because of the formation of the Taiyōtō (Sun Party) last December, the Shinshintō has now been in a serious situation due to its split and because of the Sakigake Party and the Social Democratic Party (SDP), which changed their positions to support the second Hashimoto Administration from outside the Cabinet, distancing themselves from the LDP. One of the five remarked: "Uniting the two groups which split due to the previous presidential election would be meaningful. As long as the axis of the Hashimoto setup is not changed, we will support the Hashimoto Government." The five shared a view that they would support the reelection of Prime Minister Hashimoto.

At the present stage, the outlook is that Hashimoto, who won the general election last year, will likely to be reelected as LDP president. The five thus appear to be aiming at strengthening their influence over Prime Minister Hashimoto by their mutual linkages.

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(3) Asserting Opinions in a Constrained Way Urged
for the Diplomatic Stage; Essential to Give
Consideration to Relations with China, ROK

NIHON KEIZAI (Page 2) (Full)
January 10, 1997

Prime Minister Ryutaro Hashimoto has been portrayed as "being assertive" when he is introduced to other countries. That means he is a leader who asserts his opinions in a clear-cut way. Looking back on the past year of relations with other countries, his way of self-assertion has functioned well in managing Japan-United States ties, but in relations with China and the Republic of Korea (ROK), he has been placed under pressure born of necessity to personally manage relations with each of those two countries. This climate seems likely to continue this year.

Security Issue Now the Center of Attention

Around this time last year, Japan and the U.S. faced a crucial situation. The U.S. side entertained a sense of distrust of the Murayama Administration. Okinawa's rage, sparked off by an unhappy incident caused in September, 1995, had yet to be assuaged. President Clinton put on hold his travel to Japan, and the work of redefining the U.S.-Japan Security Treaty remained inconclusive.

What brought the deadlock to an end was a Japan-U.S. summit suddenly set up by Prime Minister Hashimoto in February. Streamrolling "resistance" from the Ministry of Foreign Affairs (MOFA), the Prime Minister touched on the return of "Futenma (Air Station)." A quick agreement reached two months later affected greatly later developments in the bilateral relationship.

Now that a settlement has been reached in Japan-U.S. insurance talks, no major economic disputes exist between the two countries, and the center of attention is rather on security affairs, more specifically on the work of compiling new "defense cooperation guidelines." As to how Japan will cope with "Far-East contingencies," the Prime Minister needs to clarify his own thinking at some point in the weeks ahead and spare time for domestic debates.

Japan-U.S. Cooperation Viewed as Most Important

The challenge that will be hard to deal with will

be Japan-China relations. This year will mark the 25th anniversary of diplomatic normalization, but no celebration mood is found. There remain structural problems pending between the two countries to be settled, such as Japan's historical views and the Chinese side's (violation) of civil rights, destruction of the environment and the Senkaku Islands issue. It seems difficult to work on a scenario that can make a dramatic turn in the UNCLAS SECTION 05 OF 09 TOKYO 000265

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now-strained Japan-China relationship.

How to deal with a growing China? If that is viewed as a problem for the entire international community, Japan and the U.S. will have to play a greater role than others will. The most essential factor for retaining a stable relationship with China is really found in Japan-U.S. cooperation.

In Japan, it will be crucial to make efforts to ward off any eruption of nationalism that might be set off in our relations with China. There are many lessons from history that tell us well what was brought about by a hard-line foreign policy caused by a failure in managing nationalism. What is now expected of political leaders is for them to assert their views as well as to be brave enough to constrain such assertions.

It holds true also for ways to respond to China and the ROK. This year will be the "year of domestic affairs" for the ROK, which will hold a presidential race in December. Over the Takeshima Islands issue, anti-Japanese sentiments will easily grow as a political tradition in the ROK.

Key Also Found in How to Deal with Hostages Crisis

In the spring, food shortages in the Democratic People's Republic of Korea (North Korea) will presumably be reported. To deal with a possible "crisis," it is indispensable (for Japan) to work together with the U.S., the ROK, and China, and for

that, Japan is required to give consideration to them.

Three elements that drive an administration of a country into a crisis are a recession, scandals and diplomatic disasters, according to C. Cook (phonetic), an American political commentator. Not only "possible emergencies on the Korean Peninsula" but also the hostages incident at the ambassador's residence in Peru might develop into a factor that may rock the Hashimoto Administration. To dodge such a case, it is important that when the Prime Minister asserts his views, he does so in a moderate manner.

(Senior staff writer Hisayoshi Ina)

(4) Warning from the Year 2020
Section 1: Japan Will Disappear (Part 7)
Hidden Acid Snow; Japan Remains Silent to Neighbor,
Threat Growing

NIHON KEIZAI (Page 1) (Full)
January 8, 1997

"Death in the sky"

Again this year, the districts along the shore of the Sea of Japan are clothed in their winter garbs of snow. But the snow is now changing invisibly.
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SUBJECT: JAPANESE DAILY PRESS SUMMARY 01/10/97

The Niigata Prefectural Research Laboratory of Public Health and Environmental Pollution (in Niigata City) has installed a number of rain and snow collectors in the prefecture and has been checking the acid condition of rainfalls for more than ten years. The pH level (hydrogen-ion concentration) has been around 4.7, which is not different from the nationwide average. However, there is a fact as a matter of concern to researchers.

Sulfur is one of the causes of acid rain and snow. In fact, however, its content level varies with rain and snow. A certain sulfur isotope contained in snow recorded a percentage that was five times higher than in the case of summer rain.

What does the change of snow tell us? The research laboratory looked into smokestacks in the prefecture and all other suspicious pollution sources. The lab reached the conclusion that it was caused by coal in China. It was because the sulfur isotope contained in the smoke of burning coal used in China was similar to that contained in the snow falling in Niigata.

Along with the (wind-blown) yellow sand (loess) in early spring, pollutants also come flying across from the continent ... Such has now become the standard view among experts on air pollution over the past several years. Takeshi Oizumi, the chief researcher at the research laboratory, asserts that "about 20 percent of the sulfur contained in the snow falling in Niigata Prefecture is from the continent."

Chongqing, an industrial city of Sichuan Province in China, is now facing the threat of "Death in the sky," which in Chinese means acid rain. The city's buildings contaminated by Death become superannuated at an accelerated pace, and traffic signs are rusted and hardly recognizeable. Plants in the mountains near the city are dead.

In the city of Chongqing, the frequency of acid rainfalls is over 70 percent, and the pH level sometimes reaches 3.0, which indicates strong acidity. It is because Chongqing coal, which is a mainstay source of energy, contains a high percentage of sulfur, and most coal boilers there are not equipped with a device that desulfurizes the exhaust smoke.

According to Kazuo Hishida, a technical advisor to the Overseas Economic Cooperation Fund, 37 percent of Chongqing's citizens are suffering from respiratory trouble. The percentage is higher than the level of 12 percent that was recorded in Yokkaichi City, Mie Prefecture, in the 1960s when the city's air pollution was at its peak.

China entirely troubled
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The threat of the Death in the sky in the rest of China is not as serious as in Chongqing. But the problem has spread across the entire nation. China's annual exhaust of sulfur oxide (SOx) currently reaches approximately 20 million tons -- nearly 20 times more than Japan's. If China's economic growth is sustained as it has been with no countermeasures, its annual SOx exhaust is estimated to double in the year 2020, reaching approximately 40 million tons. So, an alarm bell is now already ringing.

In Japan, there still has been no case of environmental harm "concluded" as being caused by pollutants from China. However, Shin'ichi Fujita, the chief researcher at the Central Research Institute of Electric Power Industry (CRIEPI or Denchuken), explains: "Affected also by the acid rain caused by Japan's own domestic factors, Japanese soil's acid endurance is now steadily weakening."

In fact, there is a research report that analyzed this problem. The Finance Ministry last year requested its extra-departmental body called the International Financial Information Center to conduct research, and the IFIC reported the results of its research. The IFIC report specifies the origins and rates of SOx contained in the acid rainfalls in Japan, referring concretely to the names of such countries as "China" and "North Korea (Democratic People's Republic of Korea) and the Republic of Korea." But the report has not been made public.

Japan's voice dwindling

Despite such research results, the Government has remained silent about the migration of pollutants from China. And, "Japan," a Foreign Ministry official says, "has never brought up the problem in its diplomatic meetings" with China. A Chinese Government official for environmental affairs also has gone no further than to say that the Chinese Government is now "still looking into effects on Japan."

At long last, the Environment Agency has recently

called on China and some other countries to create an acid rain observation network in East Asia toward the year 2000. Its model is an international monitoring system in Europe and America where damages caused by acid rain became actualized. But there are many hurdles in store for its materialization, such as the Taiwan problem.

Not only in the case of acid rain, Japan has shelved up a number of problems lying between Japan and China, while assuming an ambiguous stance. Among those problems are the school textbook issue and the Senkaku Islands dispute ...

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Japan and China normalized diplomatic relations 25 years ago. At that time, Japan was big in the eye of China. But Japan has failed to create a relationship for proper dialogues even in its economic diplomacy with its massive aid program. In the meantime, Japan's existence has been gradually shrinking, and China has grown into a big power.

And, in the year 2020, about 25 years from now, the population of China is predicted to reach 1.5 billion, and the nation is said to become a gigantic neighbor whose gross domestic product (GDP) will be far larger than Japan's. Then, it will be Japan's turn to feel that China is big in any of food, energy, and security. It would be even harder to hold dialogues.

If the two countries' relations as neighbors continue from now on as well while leaving issues vague, Japan will be awaited by an era when Japan will be troubled with China's growth and by the threat of its by-products, such as pollutants. The voice of a country that remains unable to hold a dialogue even with its neighbor will wane in this region, of course, and also on the world's diplomatic stage.

(5) Kisha Techo (Correspondent's Note): Fissure
between Two Minshuto Leaders Growing Deeper

NIHON KEIZAI (Page 2) (Full)
January 10, 1997

Regarding the question of whether to participate in an LDP-led Government or not, the co-leaders of the Minshuto (Democratic Party of Japan) are at odds. In a secretaries meeting on the 9th, co-leader Naoto Kan indicated that the Party may join the "administrative-reform-government" after the fiscal 1997 budget bill is passed by the Diet.

But Yukio Hatoyama, who is another leader and has advocated the anti-LDP policy line, strongly rebutted him, arguing "The Liberal Democratic Party (LDP) will be driven into a corner," and "Since the cohesion of the Minshuto has yet to be strong enough, it is too early to join the government." As Kan has made remarks tilting to the ruling party, persons close to Hatoyama are concerned that he may already have an agreement with the LDP."

Such was the situation in late December. After the formation of the Taiyoto, the two leaders and Diet Policy Committee Chairman Akamatsu suddenly held a meeting to discuss whether to join that party. At the session, Hatoyama indicated that "We will at least be able to form a Diet group with the Taiyoto although our linking up with it is impossible." Kan, however, did not disagree with him. So Hatoyama instructed his brother Kunio to work upon the Taiyoto. The truth of Kan's indication of a
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tie-up with the LDP is the worry that if the Shinshinto's relationships with the Taiyoto improve, it could check the efforts of Hatoyama (Minshuto's senior leader). The cleft in the Minshuto is certainly now growing deeper.

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TOP HEADLINES:

ASAHI: HOSTAGES IN LIMA: ATTENTION NOW ON WHETHER TO
ALLOW GUERRILLAS TO DEPART FROM PERU; DIRECT TALKS MOVING
TOWARD RESUMPTION

NIHON KEIZAI: TWO-STAGE STEPS TO PREVENT WARMING OF THE
EARTH; GOVERNMENT TO PROPOSE A "CONCEPTION OF REBIRTH OF
THE EARTH"; SPECIFIC MEASURES SPECIFIED, SUCH AS STORING
OF CO2 AND PROMOTION OF SOLAR ENERGY POWER GENERATION

TOKYO SHIMBUN: PERU HOSTAGES INCIDENT: TV ASAHI-AFFILIATED NEWS REPORTER RELEASED AND LEAVES FOR U.S.; SENIOR TV ASAHI OFFICER SAYS, "THE REPORTER HIMSELF MAKES AN APOLOGY"; PERUVIAN GOVERNMENT, GUERRILLAS TO RESUME DIRECT TALKS

MAINICHI: OPINION POLL: 88 PERCENT SAY, "EDUCATIONAL REFORM IS NECESSARY," PARTICULARLY FOR IMPROVING QUALITY OF TEACHERS AND ENTRANCE EXAMS; THE PRESENT 6-3-3-EDUCATION SYSTEM SUPPORTED BY 76 PERCENT; "CONTINUOUS EDUCATION AT JUNIOR HIGH AND HIGH SCHOOLS" IS HOPED FOR BY MANY PEOPLE

YOMIURI: PUBLIC CORPORATION-RELATED FIRMS' CORNER-CUTTING IN EARTHQUAKE-PROOF REINFORCEMENT CONSTRUCTION OF METROPOLITAN EXPRESSWAYS IN ALL 43 PIERS NECESSARY FOR SUCH REINFORCEMENT

SANKEI: CONFERENCE ON ADMINISTRATIVE REFORM PLANS TO "COMPILE AN INTERIM REPORT" IN LATE APRIL TO SHOW A CONCRETE DIRECTION; A DEFINITE PLAN WILL BE PRESENTED IN MARCH TO CONSOLIDATE SEVEN PANELS (TRANSLATION BELOW)

HASHIMOTOQS SUMMIT MEETING IN VIETNAM: NEED TO CLARIFY CHINAQS MILITARY STRENGTH (MAINICHI - PAGE 2)

(SINGAPORE, JANUARY 12; YOSHIKI NAKAGAWA) PRIME MINISTER RYUTARO HASHIMOTO, NOW VISITING MEMBER COUNTRIES OF ASEAN (ASSOCIATION OF SOUTHEAST ASIAN NATIONS), ARRIVED AT SINGAPORE, THE LAST STOP ON HIS TOUR ON THE 12TH. PRIOR TO THIS, HE VISITED VIETNAM. IN VIETNAM, THE PRIME MINISTER AIMED TO SEEK OUT HOW THE LEADERSHIP HAS VIEWED CHINA, ITS ADVERSARY IN THE ISSUE OF SOVEREIGNTY OVER THE SPRATLEY ISLANDS. BY PROBING INTO CHINA-VIETNAM TIES, WHICH ARE SAID TO BE "A LOVE-HATE RELATIONSHIP" (ACCOMPANYING SOURCE), THE PRIME MINISTER WANTED TO SEE WHAT VIEWS ASEAN COUNTRIES HAVE REGARDING JAPAN-CHINA, THE UNITED STATES-CHINA, AND JAPAN-U.S. RELATIONS" (GOVERNMENT OFFICIAL).

DURING TALKS WITH PRIME MINISTER VO VAN KIET, PRIME MINISTER HASHIMOTO REQUESTED THAT VIETNAM WOULD POSITIVELY TAKE PART IN SUCH MULTILATERAL CONFERENCES AS THE ASEAN REGIONAL FORUM (ARF) (A MEETING LAUNCHED BY 21 NATIONS), INCLUDING THE ASEAN MEMBERS, JAPAN, THE U.S. AND AUSTRALIA, TO PROMOTE POLITICAL AND SECURITY TALKS IN THE ASIA-PACIFIC BASIN.

THIS REQUEST IS BASED ON THE PERCEPTION THAT CHINA REPRESENTS A MAJOR PRESENCE WHEN IT COMES TO PEACE AND STABILITY IN THE ASIA-PACIFIC REGION. OUT OF THE NEED FOR JAPAN AND ASEAN TO COOPERATE TO INCREASE CHINA'S MILITARY TRANSPARENCY, THE PRIME MINISTER DURING THE ROUND OF VISITS REITERATED THE NEED FOR "CHINA'S CONSTRUCTIVE PARTICIPATION IN THE INTERNATIONAL COMMUNITY."

THE VIETNAM SIDE ALSO SEEMED TO BE SENSITIVE TO THE PRIME MINISTER'S REASON FOR VISITING VIETNAM. PRIME MINISTER KIET STATED, "THERE STILL REMAIN SOME ELEMENTS FOR INSTABILITY IN THIS REGION, BUT IF ALL COUNTRIES HAVE GOOD INTENTIONS AND SELF-RESTRAINT, THIS ISSUE WILL BE UNCLAS SECTION 02 OF 08 TOKYO 000279

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RESOLVED." HE ALSO MADE A REMARK CHECKING CHINA, "THERE ARE PROBLEMS TO SETTLE WITH CHINA."

THE TWO TOP LEADERS WERE IN ACCORD ON THE NEED TO STRENGTHEN A BILATERAL SECURITY DIALOGUE. PRIME MINISTER HASHIMOTO INVITED VIETNAMESE NATIONAL DEFENSE VICE MINISTER TO VISIT JAPAN. AND JAPAN DEFENSE AGENCY ADMINISTRATIVE DEPUTY DIRECTOR GENERAL NAOAKI MURATA IS SCHEDULED TO VISIT VIETNAM. THE FOCUS OF SUCH A SECURITY DIALOGUE IS EXPECTED TO BE ON CHINA'S MILITARY SITUATION.

A MILITARY COLLISION ONCE TOOK PLACE BETWEEN CHINA AND VIETNAM OVER THE OWNERSHIP OF THE SPRATLEY ISLANDS. LAST APRIL, WHEN VIETNAM (GOVERNMENT-RUN OIL GAS CORPORATION) AND THE U.S. PETROLEUM COMPANY CONOCO SIGNED A CONTRACT FOR OIL INVESTIGATION AND DEVELOPMENT IN THE SOUTH CHINA SEA, CHINA FIERCELY REACTED AGAINST IT, ASSAILING, "THIS IS AN INFRINGEMENT OF OUR SOVEREIGNTY." IN RESPONSE, ASEAN MEMBER COUNTRIES IN THEIR EXPANDED FOREIGN MINISTERIAL CONFERENCE LAST JULY EXPRESSED SERIOUS CONCERN OVER CHINA'S DEMARCATION POLICY.

PRIME MINISTER KIET ALSO STATED, "A FRIENDLY SETTLEMENT IS NEEDED BY PEACEFUL TALKS," BUT DURING THE TALKS, THE TWO PRIME MINISTERS OFTEN EXPRESSED CONCERN OVER THE POSSIBILITY THAT CHINA COULD BECOME A COMMON THREAT TO JAPAN, VIETNAM AND OTHER ASEAN COUNTRIES.

GOVERNMENT SAYS EU TO PICK UP SOME OF NORTH KOREA'S KEDO-RELATED HEAVY FUEL BILL (SANKEI - PAGE 1)

THE EUROPEAN UNION (EU) AND THE KOREAN ENERGY DEVELOPMENT ORGANIZATION (KEDO) HAVE REACHED AN AGREEMENT FOR THE EU TO COVER THE SHORTFALL IN EXPENDITURES FOR HEAVY OIL THAT WILL BE SUPPLIED TO NORTH KOREA AS IT CONVERTS ITS NUCLEAR FACILITIES TO LIGHT-WATER REACTORS. THIS WAS REVEALED YESTERDAY BY A GOVERNMENT SOURCE. WITH THIS

DEVELOPMENT, THE OUTLOOK IS THAT THE PROBLEM OF A LACK OF FUNDS FOR HEAVY OIL WILL BE SOLVED AND THAT CONSTRUCTION OF LIGHT-WATER REACTORS WILL BE PUSHED FORWARD.

AN AGREEMENT SIGNED BETWEEN THE UNITED STATES AND NORTH KOREA IN OCTOBER 1994 IN GENEVA STIPULATED THAT IN ORDER TO SUPPLY HEAVY OIL TO NORTH KOREA UNTIL THE FIRST RIGHT-WATER REACTOR WAS CONSTRUCTED, THE U.S. WOULD BE RESPONSIBLE FOR COORDINATION OF OIL SUPPLY.

NORTH KOREA'S COST OF HEAVY OIL TOTALS 50 MILLION DOLLARS ANNUALLY. THE U.S., HOWEVER, HAD ANNOUNCED THAT IT WOULD ONLY BEAR 30 MILLION DOLLARS OF THE EXPENSE. AS A RESULT, THERE WAS CONCERN THAT THERE WOULD BE AN ANNUAL 20 MILLION DOLLAR SHORTFALL. LAST YEAR, THE JAPANESE GOVERNMENT WAS FORCED TO SHOULDER 19 MILLION DOLLARS OF IT.

KEDO AUTHORITIES JUDGED THAT "EXCEPT JAPAN, THE U.S. AND SOUTH KOREA, ONLY THE EU CAN PROVIDE FUNDS" (FOREIGN MINISTRY SOURCE). SO THE AUTHORITIES HAD INFORMALLY ASKED THE EU, WHOSE JOINING THE KEDO HAS BEEN INFORMALLY DECIDED, TO BEAR THE EXPENSE.

AS A RESULT, THE EU HAS DECIDED TO DISBURSE THE FUNDS, 19 MILLION DOLLARS AT MOST A YEAR FOR FIVE YEARS STARTING IN 1997.

AT THE SAME TIME, FOLLOWING THE INFORMAL ANNOUNCEMENT AT THE END OF LAST YEAR OF ITS BECOMING A MEMBER OF THE KEDO, THE EU ACCEPTED THE KEDO'S REQUEST AND DECIDED TO PROVIDE ALL THE FUNDS THAT IT WILL BEAR FOR USE ONLY TO FILL THE SHORTFALL IN HEAVY OIL EXPENDITURES.

GOVERNMENT CAUTIOUS ABOUT RESTARTING NORMALIZATION TALKS WITH NORTH KOREA (TOKYO SHIMBUN - PAGE 2)
UNCLAS SECTION 03 OF 08 TOKYO 000279

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 13

BY RELEASING A STATEMENT BY ITS FOREIGN MINISTRY SPOKESMAN, THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA) IS CALLING ON JAPAN TO REOPEN NEGOTIATIONS FOR DIPLOMATIC NORMALIZATION, THOUGH SUCH TALKS HAVE BEEN SUSPENDED SINCE NOVEMBER, 1992.

THE JAPANESE GOVERNMENT HOWEVER ASSUMES A CAUTIOUS STANCE, NOTING, "THE TIME HAS YET TO BE RIPE" (FOREIGN MINISTRY SOURCE), BUT THE NORTH SEEMS LIKELY TO WORK MORE VIGOROUSLY ON JAPAN, WITH ITS KOREAN WORKERS PARTY'S CENTRAL COMMITTEE'S SECRETARY HWANG JANG HWA, AN AIDE TO SECRETARY KIM JONG IL, PLANNED TO COME TO JAPAN ON THE 30TH.

THE STATEMENT BY THE NORTH KOREAN FOREIGN MINISTRY'S SPOKESMAN, RELEASED ON THE 10TH, READ THAT "DIPLOMATIC NORMALIZATION WOULD NOT BE POSSIBLE BETWEEN THE NORTH AND JAPAN IF THE PAST MATTERS WERE NOT BROUGHT TO SETTLEMENT. JAPANESE OFFICIALS INVOLVED HAVE TO SWIFTLY JOIN A MEETING FOR SETTLING PAST MATTERS." A JOINT EDITORIAL DATED JANUARY 1 BY THREE NEWSPAPERS THAT INCLUDE NODONG, AN ORGAN PAPER OF THE KOREAN WORKERS PARTY, ALSO MENTIONED JAPAN. IT REQUESTED (JAPAN) "TO DISCONTINUE THE POLICY LINE OF REGARDING THE NORTH AS AN ENEMY AND NOT TO ACT TO STAND IN THE WAY FOR UNIFICATION OF SOUTH AND NORTH KOREAS." THE ARTICLE, ALBEIT IN AN INDIRECT MANNER, EXPRESSED ENTHUSIASM TO IMPROVE RELATIONS WITH JAPAN.

IN RESPONSE, THE JAPANESE GOVERNMENT IS CIRCUMSPECT ABOUT RESUMING NEGOTIATIONS AT THIS POINT WITH THE NORTH, EXPLAINING, "WE WOULD LIKE TO SEE HOW THE PROCESS PROMOTED BY THE KOREAN PENINSULA ENERGY DEVELOPMENT ORGANIZATION (KEDO) AND SOUTH-NORTH DIALOGUES WILL DEVELOP FROM NOW ON" (FOREIGN MINISTRY SOURCE). WITH FOREIGN MINISTER YUKIHIKO IKEDA'S VISIT TO THE REPUBLIC OF KOREA ON THE 15TH AND ROK PRESIDENT KIM YOUNG SAM'S TRIP TO JAPAN ON THE 25TH AND 26TH, THE JAPANESE GOVERNMENT SEEMS TO GIVE CONSIDERATION FOR THE ROK, WHICH HAS SOUGHT JAPAN TO CAUTIOUSLY RESPOND REGARDING MAKE CLOSE RELATIONS BETWEEN JAPAN AND NORTH KOREA.

THE BASIC STAND THE GOVERNMENT HAS SO FAR ADOPTED IS IT IS DESIRABLE THAT JAPAN-NORTH KOREA RELATIONS WILL PROGRESS, SYNCHRONIZING WITH DEVELOPMENTS OF SOUTH-NORTH TALKS AND THE FOUR-WAY TALKS OF SOUTH AND NORTH KOREAS, THE UNITED STATES AND CHINA. THE GOVERNMENT THEN HAS WORKED ON THE NORTH TO ACCEPT SOUTH-NORTH DIALOGUES AND THE FOUR-WAY TALKS.

AT ONE POINT, NORTH KOREA REACTED TO JAPAN, WHICH PUT A "PREREQUISITE" FOR RESUMPTION OF BILATERAL TALKS BETWEEN JAPAN AND THE NORTH, BUT IT HAS ANNOUNCED IT WOULD ATTEND AN EXPLANATORY MEETING FOR THE FOUR-WAY TALKS. IN THE NEAR FUTURE, A CONVERSE THINKING MAY COME UP THAT THE JAPANESE SIDE, BY ACCEPTING RESUMPTION OF JAPAN-NORTH KOREA NEGOTIATIONS, MAY PROMOTE THE SOUTH-NORTH DIALOGUE AND THE FOUR-WAY TALKS. (SENIOR STAFF WRITER TADAHIKO NASA)

BUT LDP LOOKING FOR CHANCE TO IMPROVE RELATIONS WITH NORTH KOREA (YOMIURI - PAGE 2)

A MOVE HAS BEGUN IN THE LIBERAL DEMOCRATIC PARTY (LDP) TO SEEK OPPORTUNITIES TO IMPROVE JAPANESE RELATIONS WITH THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA). THE REASON IS BECAUSE LDP SECRETARY GENERAL KATO, DURING HIS TRIP TO SEOUL ON THE 8TH AND 9TH, GAINED THE IMPRESSION DURING HIS MEETINGS WITH SUCH KEY GOVERNMENT AND RULING PARTY OFFICIALS AS PRESIDENT KIM YOUNG SAM, THAT THE REPUBLIC OF KOREA (ROK) WOULD SHOW SOME UNDERSTANDING TOWARD AN IMPROVEMENT IN JAPAN-NORTH KOREA RELATIONS. UNCLAS SECTION 04 OF 08 TOKYO 000279

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 13

THE GOVERNMENT AND THE LDP CONTINUE TO EMPHASIZE "CLOSE CONTACT BETWEEN JAPAN AND THE ROK" IN DEALING WITH NORTH KOREA, SO THEY WILL LIKELY BE CAUTIOUS IN SEEKING THE RIGHT TIMING FOR IMPROVING RELATIONS, WHILE WATCHING CLOSELY DEVELOPMENTS IN THE (PROPOSED) "FOUR-PARTY TALKS" AMONG THE ROK, NORTH KOREA, THE UNITED STATES AND CHINA.

ON POLICY TOWARD THE NORTH, THE LDP, FOLLOWING PRIME MINISTER RYUTARO HASHIMOTO'S POLICY LINE OF "GIVING THE HIGHEST CONSIDERATION TO JAPAN-ROK TIES," REPORTEDLY "HAS REFRAINED FROM MAKING CONTACT WITH THE NORTH IN ORDER TO AVOID IRRITATING THE ROK DURING THE ONE AND A HALF YEARS SINCE THE PRIME MINISTER ASSUMED THE POSITION OF PARTY PRESIDENT" (SECRETARY GENERAL KATO). THAT IS BECAUSE WHEN IN 1995, JAPAN OFFERED 500,000 TONS OF RICE IN AID TO NORTH KOREA, PRESIDENT KIM CRITICIZED IT, REMARKING, "SUCH AID WAS GIVEN BY GOING OVER OUR HEADS," AND EXPRESSED HIS STRONG SENSE OF DISTRUST OF KATO, WHO AT THAT POINT WAS PLAYING A LEADING ROLE AS LDP POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN.

BUT NOW EXPECTATIONS FOR IMPROVING JAPAN-NORTH KOREA RELATIONS ARE RISING AS IS SEEN IN A REMARK BY CURRENT POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN TAKU YAMASAKI THAT "I HAVE A HUNCH THAT (JAPAN-NORTH KOREA RELATIONS) MAY THIS YEAR REACH AN IMPORTANT TURNING POINT IN WHICH WE WILL BOTH TAKE A STEP FORWARD." WHAT LIES IN THE BACKDROP OF SUCH EXPECTATIONS IS THAT WITH THE NORTH'S APOLOGY MADE LAST YEAR'S END FOR ITS SUBMARINE'S INCURSION INTO (THE ROK), THE KOREAN PENINSULA SITUATION HAS ENTERED A NEW PHASE.

REGARDING THE LIGHT-WATER REACTOR REPLACEMENT PROJECTS

LED BY THE KOREAN PENINSULA ENERGY DEVELOPMENT ORGANIZATION (KEDO), THE PROBLEM FACING JAPAN IS ITS SHARE OF THE PROJECT'S COST WHICH IS SAID WILL REACH 5 BILLION DOLLARS. KATO IN HIS TALKS WITH DEPUTY PRIME MINISTER KWON SUNG SU ON THE 9TH, CONVEYED HIS VIEW THAT "SUCH QUESTIONS WILL CROP UP IN THE DIET AS TO WHY WE ARE FUNDING THE PROJECT, AND IS IT ALL RIGHT TO DO SO EVEN THOUGH NEGOTIATIONS ARE NOT GOING ON WITH THE (NORTH KOREAN) GOVERNMENT."

THE AIM OF KATO'S TRAVEL THIS TIME WAS APPARENTLY TO PAVE THE WAY FOR CONTACT WITH THE NORTH KOREAN SIDE IN THE ROLE-SHARING BETWEEN THE LDP AND THE GOVERNMENT BY SMOOTHING OVER TIES WITH PRESIDENT KIM. THROUGH HIS SERIES OF MEETINGS, HE ALSO APPARENTLY PROBED THE ROK SIDE'S FEELINGS ABOUT ANOTHER TRANCHE OF RICE AID.

FOREIGN MINISTER IKEDA TO SEOUL ON 15TH: MAIN FOCUS ON NORTH KOREA ISSUES (YOMIURI - PAGE 2)

FOREIGN MINISTER IKEDA WILL TRAVEL TO THE REPUBLIC OF KOREA (ROK) ON THE 15TH TO MEET WITH FOREIGN MINISTER YU CHONG HA. NEW MOVES HAVE APPEARED IN THE KOREAN PENINSULA SITUATION THIS YEAR, SUCH AS FOR THE RESUMPTION OF THE KOREAN PENINSULA ENERGY DEVELOPMENT ORGANIZATION (KEDO) PROJECT. SUCH IS DUE LARGELY TO AN "APOLOGY" OFFERED BY NORTH KOREA (DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (DPRK)) FOR THE INCIDENT INVOLVING ITS SUBMARINE THAT OCCURRED LAST SEPTEMBER. MEASURES TOWARD NORTH KOREA ARE EXPECTED TO BE TAKEN UP AS A MAIN SUBJECT IN THE JAPAN-ROK FOREIGN MINISTERIAL, SCHEDULED TO BE HELD PRIOR TO ROK PRESIDENT KIM YOUNG SAM'S TRIP TO JAPAN ON THE 25TH. THE FOLLOWING ARE POSSIBLE DEVELOPMENTS REGARDING KEDO, THE NORMALIZATION TALKS BETWEEN JAPAN AND NORTH KOREA AND OTHER MAJOR CHALLENGES:

KEDO: JAPAN FACES COST-SHARING

KEDO, AN ORGANIZATION ESTABLISHED CHIEFLY AMONG JAPAN, THE UNITED STATES AND THE ROK TO CONSTRUCT A LIGHT-WATER UNCLAS SECTION 05 OF 08 TOKYO 000279

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 13

REACTOR IN NORTH KOREA, HAVE CONCLUDED FIVE PROTOCOLS WITH THAT COUNTRY TO PAVE THE WAY FOR STARTING SURVEYS IN

HAMGYEONG NAM DO, THE SITE FOR THE REACTOR.

CONSTRUCTION ESTIMATES ARE EXPECTED TO COME OUT IN FEBRUARY, AND THE NEXT STEP WOULD BE COST-SHARING BETWEEN JAPAN AND THE ROK.

SPECIFICALLY, JAPAN WOULD HAVE TO SET ASIDE KEDO OUTLAYS IN ITS FY1998 BUDGET, AS THE INITIAL YEAR. TOTAL CONSTRUCTION COSTS MAY COME TO 50 BILLION DOLLARS.

JAPAN AND THE ROK ARE THE KEY PLAYERS IN TERMS OF FINANCING THE PROJECT. AN ARGUMENT IS AFLOAT CALLING FOR CLOSE TALKS WITH NORTH KOREA BEFORE INJECTING LARGE SUMS OF TAX MONEY INTO SUCH A PROJECT. AS A RESULT, THE POSSIBLE RESUMPTION OF THE NORMALIZATION TALKS BETWEEN JAPAN AND NORTH KOREA HAS SURFACED.

JAPAN-NORTH KOREA NORMALIZATION TALKS: EXPECTATIONS ON "SOUTH-NORTH DIALOGUE" AS LEVERAGE

THE NORMALIZATION TALKS BETWEEN JAPAN AND NORTH KOREA HAVE BEEN ON HOLD FOR MORE THAN FOUR YEARS, SINCE THE 8TH SESSION THAT WAS HELD IN THE FALL OF 1992. LAST YEAR, THE MINISTRY OF FOREIGN AFFAIRS (MOFA) HELD DIVISION DIRECTOR-LEVEL (KACHOU) SESSION FOUR TIMES WITH NORTH KOREAN FOR THE RESUMPTION OF THE TALKS, FROM THE PERSPECTIVE, "THERE HAS BEEN NO CHANGE IN JAPAN'S STANCE TO RESUME THE NORMALIZATION TALKS UNCONDITIONALLY FOR THE SAKE OF THE STABILITY OF THE KOREAN PENINSULA." A MOFA SOURCE HAS EXPRESSED A SENSE OF EXPECTATION TOWARD IMPROVING SOUTH-NORTH RELATIONS, REASONING, "THE BALL IS NOW ON THAT SIDE (NORTH KOREA). A SOUTH-NORTH DIALOGUE WOULD HELP US A GREAT DEAL. IT IS JUST HARD FOR JAPAN TO MAKE ANY MOVE WHEN THE SOUTH AND NORTH ARE LOCKING HORNS."

UNDER THE CIRCUMSTANCES, THE GOVERNMENT ESPECIALLY APPRECIATES A RAY OF HOPE THAT A "JOINT BRIEFING SESSION" IS NOW BEING PLANNED BY THE U.S. AND ROK TO MAKE PROPOSALS TO NORTH KOREA POSSIBLY LATER MONTH FOR THE SAKE OF "FOUR-WAY TALKS." MOFA'S PROJECTION IS THAT THE "JOINT BRIEFING" WOULD SERVE TO RESUME THE "SOUTH-NORTH DIALOGUE" AND "IF FOUR-WAY TALKS ARE HELD AFTER THE BRIEFING, SUCH WOULD GIVE AN IMPETUS TO THE JAPAN-NORTH KOREA TALKS AS WELL."

FOOD ASSISTANCE: JAPAN WILL CONSIDER ASSISTANCE IF THERE IS REQUEST FROM INTERNATIONAL ORGAN

NORTH KOREA, WHICH IS EXPERIENCING A FOOD SHORTAGE, APPEARS TO BE EXPECTING FOOD ASSISTANCE ALONG WITH THE NORMALIZATION TALKS. A MOFA SOURCE ANALYZES, "A MOOD IS EVIDENT THAT WHAT NORTH KOREA REALLY WANTS IS RICE ASSISTANCE OVER THE NORMALIZATION TALKS." AT THE SAME TIME, THE MOFA SOURCE STRESSED, "JAPAN IS NOT CONSIDERING TO EXTEND RICE AIDE (INDEPENDENTLY)," AND SUGGESTED THAT JAPAN WOULD CONSIDER EXTENDING SUCH ASSISTANCE IF ONLY THERE IS A REQUEST FROM AN INTERNATIONAL ORGAN.

LAST YEAR, THE GOVERNMENT SHIPPED RICE TO NORTH KOREA THROUGH THE UNITED NATIONS BY TAKING A CONCERTED STEP WITH THE U.S. THE YEAR BEFORE LAST, JAPAN GAVE 500,000 TONS OF RICE AND THE ROK 150,000 TONS TO NORTH KOREA. WITH JAPAN HOLDING ABOUT 3 MILLION TONS OF RICE IN STOCK, ABOUT TWICE THE VOLUME IT SHOULD HAVE, SOME ARE CALLING FOR USING A PORTION OF IT FOR HELPING NORTH KOREA. TALKS BETWEEN JAPAN AND THE ROK ARE LIKELY.

GOVERNMENT TO TELL U.S. NEXT MONTH IT WILL NOT EXTEND AGREEMENT ON PAPER MARKET (NIHON KEIZAI - PAGE 3)

UNCLAS SECTION 06 OF 08 TOKYO 000279

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 13

THE GOVERNMENT HAS DECIDED ON A POLICY DIRECTION OF REJECTING THE EXTENSION OF THE JAPAN-UNITED STATES PAPER AGREEMENT, WHICH EXPIRES THIS APRIL. THE PACT, WHICH WAS CONCLUDED IN APRIL 1992, URGES EFFORTS BY THE JAPANESE GOVERNMENT AND THE INDUSTRY, AS A FIVE-YEAR MEASURE, TO EXPAND IMPORTS. THE GOVERNMENT PLANS TO HOLD A FINAL FOLLOW-UP MEETING IN TOKYO IN FEBRUARY. THERE IT INTENDS TO NOTIFY THE U.S. GOVERNMENT OF ITS DECISION TO REJECT THE U.S.' REQUEST FOR AN EXTENSION OF THE ACCORD.

THE GOVERNMENT HAS JUDGED THAT GIVEN THE STEADY INCREASE OF IMPORTS OF FOREIGN-PRODUCED PAPER, THE PACT HAS SERVED ITS OBJECTIVE. IMPORTS OF PRINTING PAPER AND CARDBOARD (CORRUGATED CARDBOARD AND PASTEBOARD), WHICH WERE THE TARGETS OF THE PACT, DOUBLED OVER FIVE YEARS, RECORDING 910,000 TONS (ESTIMATE) IN 1996. THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) EXPLAINED, "THERE ARE NO TRADE BARRIERS TO SUCH FOREIGN PRODUCTS. THEREFORE, THERE IS NO REASON TO CONTINUE THE GOVERNMENT AGREEMENT."

SHINSHINTOQS DIET STRATEGY: SEEK RECOMPILATION OF BUDGET, TAPPING SUPPORT OF OTHER PARTIES (NIHON KEIZAI - PAGE 2)

THE SHINSHINTO (NEW FRONTIER PARTY) HAS STARTED CONSOLIDATING ITS PARTY'S STANCE IN THE REGULAR DIET SESSION THAT OPENS ON THE 20TH. THE PARTY HAS JUDGED THAT THE DETERIORATING ECONOMY, AS SEEN IN THE FALL OF THE NIKKEI STOCK-PRICE AVERAGE TO LESS THAN 18,000 YEN,

WILL LIKELY WORK AS A FAVORABLE FACTOR FOR ITS DIET STRATEGY, AND IT HAS BEGUN TO MOVE TOWARD FORMING A (DIET) ALLIANCE WITH THE MINSHUTO (DEMOCRATIC PARTY) AND THE TAIYOTO (SUN PARTY) IN SEEKING A RECOMPILATION OF THE FY1997 DRAFT BUDGET. HOWEVER, REGARDING A CONSOLIDATION OF THE SHINSHINTO'S BASIC POLICY LINE, WHICH WILL FORM THE BASIS OF ITS INTERPELLATORY QUESTIONING BY PRESIDENT ICHIRO OZAWA, DISCUSSIONS SCHEDULED AGAIN ON THE 14TH WILL LIKELY BE DIFFICULT.

SECRETARY GENERAL TAKEO NISHIOKA, ATTENDING A NEW YEAR'S PARTY ON THE 10TH AT THE SOCIO-ECONOMIC PRODUCTIVITY HEADQUARTERS IN TOKYO, STATED, "JAPAN'S REFORMS CANNOT BE CARRIED OUT WITH THE BUDGET THAT HAS BEEN DRAFTED FOR NEXT FISCAL YEAR. WE WILL SEEK ITS RECOMPILATION IN ALLIANCE WITH YUKIO HATOYAMA OF THE MINSHUTO." CHANCES ARE THAT A REQUEST FOR RECOMPILATION OF THE DRAFT BUDGET WILL BE ONE OF THE MAJOR AGENDA ITEMS AT THE FIRST TOP-LEVEL MEETING WITH THE TAIYOTO ON THE 14TH. SOME SENIOR LEADERS OF THE SHINSHINTO ARE BEGINNING TO TAKE A BULLISH STANCE, WITH STEERING COMMITTEE DEPUTY CHAIRMAN KEISUKE NAKANISHI NOTING, "THERE IS A GOOD CHANCE OF OUR CONSOLIDATING AN ENVIRONMENT FOR PASSING A NO-CONFIDENCE MOTION AGAINST THE CABINET."

A PROJECT TEAM WAS LAUNCHED ON THE 10TH TO PROBE INTO THE SCANDAL INVOLVING UPPER HOUSE MEMBER TATSUO TOMOBE, WHO HAS LEFT THE SHINSHINTO DUE TO THE INCIDENT OF HIS "ORANGE MUTUAL AID ASSOCIATION" VIOLATING THE INVESTMENT LAW. THE TEAM WILL HEAR TESTIMONY FROM INDIVIDUALS INVOLVED BEFORE THE DIET SESSION OPENS. THE MOVE IS APPARENTLY "MOTIVATED BY THE DESIRE TO SOLIDIFY ITS FOOTHOLD BEFORE PURSUING THE LIBERAL DEMOCRATIC PARTY (LDP)" (SENIOR MEMBER).

FIVE LABOR UNIONS BEGIN TO OPEN RIFT WITHIN RANGO OVER ISSUE OF MOVING CLOSER TO LDP (NIHON KEIZAI - PAGE 2)

A CRACK IS FORMING IN RENGU, THE JAPANESE TRADE UNION CONFEDERATION (CHAIRMAN BY JINNOSUKE ASHIDA) OVER THE ISSUE OF MOVING CLOSER TO THE LIBERAL DEMOCRATIC PARTY (LDP). A MOVE AMONG SOME TRADE UNIONS FOR JOINING "ANTI-LDP" FORCES HAS GAINED IMPETUS -- BASED ON THE REALIZATION THAT RENGU-ASSOCIATED TRADE UNIONS LACKED UNCLAS SECTION 07 OF 08 TOKYO 000279

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 13

UNITY IN THE RECENT GENERAL ELECTION WITH SOME SUPPORTING THE SHINSHINTO (NEW FRONTIER PARTY) OR OTHERS SUPPORTING THE MINSHUTO (DEMOCRATIC PARTY) OR THE SOCIAL DEMOCRATIC PARTY (SDP). BUT OTHER TRADE UNIONS AIM NOW TO STRENGTHEN TIES WITH THE LDP, AS SEEN IN A MOVE BY FIVE TRADE UNIONS, INCLUDING THE ALL JAPAN PREFECTURAL AND MUNICIPAL WORKERS' UNION (JICHIRO), TO SEND THEIR LEADERS TO ATTEND FOR THE FIRST TIME EVER AN LDP CONVENTION, WHICH WILL BE HELD ON THE 18TH.

FUTENMA REVERSION: IMPLEMENTATION PANEL TO START TALKS NEXT MONTH WITH END OF YEAR DEADLINE
(NIHON KEIZAI - PAGE 2)

THE JAPANESE AND U.S. GOVERNMENTS WILL SET UP A FUTENMA IMPLEMENTATION GROUP (FIG), CONSISTING OF WORKING-LEVEL OFFICIALS, THIS MONTH AT THE EARLIEST FOR THE ISSUE OF CONSTRUCTING AN ALTERNATIVE HELIPORT FOR THE PLANNED REVERSION OF THE U.S. FORCES' FUTENMA AIR STATION SITE IN OKINAWA, IN ORDER TO SET ABOUT MAKING A SEA-BASED HELIPORT IMPLEMENTATION PLAN. THE FIG WILL FORMALLY DESIGNATE A FORESHORE OF CAMP SCHWAB (STRETCHING OVER NAGO CITY AND OTHER MUNICIPALITIES) AS A CANDIDATE AREA. BASED ON THIS, THE JAPANESE GOVERNMENT WILL THEN MAKE A REQUEST TO THE LOCAL SIDE FOR ENTRY INTO A SURVEY, AND THE TWO GOVERNMENTS WILL COMPILE A PLAN BY THE END OF THIS YEAR FOR SUCH SPECIFIC MATTERS AS A CONSTRUCTION SITE AND METHOD.

THE FIG IS A WORKING GROUP, THE ESTABLISHMENT OF WHICH WAS DECIDED BY THE JAPAN-U.S. SPECIAL ACTION COMMITTEE (ON FACILITIES AND AREAS IN OKINAWA) (SACO) IN ITS FINAL REPORT ISSUED LAST DECEMBER. THE FIG CONSISTS OF DIVISION DIRECTOR LEVEL OFFICIALS FROM THE FOREIGN MINISTRY AND THE DEFENSE AGENCY ON THE JAPANESE SIDE, AND FROM THE DEPARTMENT OF STATE AND THE DEPARTMENT OF DEFENSE ON THE U.S. SIDE. IN ADDITION, IT IS PARTICIPATED IN ALSO BY OFFICIALS FROM THE SELF-DEFENSE FORCES AND THE U.S. FORCES IN JAPAN.

SACO'S FINAL REPORT WENT NO FURTHER THAN TO SAY THE ALTERNATIVE FACILITY SHOULD BE CONSTRUCTED "IN THE WATERS OFF THE EASTERN COAST OF THE MAIN ISLAND OF OKINAWA." BUT THE TWO COUNTRIES' OFFICIALS HAVE NOW AGREED THAT AN AREA IN THE WATERS OFF CAMP SCHWAB IS OPTIMUM, SO THE FIG WILL DECIDE ON THE CONSTRUCTION METHOD AND PLACE AND OTHER ELEMENTS BASED ON THE OUTCOME OF A LOCAL SURVEY.

ON FEBRUARY 21, OKINAWA PREFECTURE'S EXPROPRIATION COMMISSION WILL START ITS OPEN EXAMINATION OF THE GOVERNMENT'S FORCIBLE USE OF LANDS CURRENTLY OFFERED TO THE U.S. MILITARY FOR 12 FACILITIES INCLUDING KADENA AIR FORCE BASE. PARTLY BECAUSE THERE IS ALSO A POSSIBILITY THAT THE LOCAL PUBLIC'S ANTI-BASE FEELINGS MAY GROW STRONG IN THE PREFECTURE, THE GOVERNMENT WILL REQUEST THE LOCAL SIDE TO START A SURVEY THIS MONTH AT THE EARLIEST,

AND WOULD LIKE TO OBTAIN OKINAWA'S CONENT AS EARLY AS POSSIBLE.

IN OKINAWA PREFECTUE, HOWEVER, THERE IS STILL STRONG OPPOSITION TO HE PLANNED RELOCATION OF THE AIRFIELD'S HELIPORTFUNCTIONS WITHIN THE PREFECTURE. DEFENSE AGENCYDIRECTOR GENERAL FUM "NO PROGRESS" IN THE GOVERNMENT'S INFORMALNEGOTIATIONS WITH OKINAWA FOR A SURVEY.

MEANWILE, OKINAWA'S LOCAL ECONOMIC CIRCLES HAVE NOW AVOCATED A RECLAMATION IDEA ON THE GROUNDS THAT "CONOMIC MERITS (TO THE LOCAL SIDE) WILL BE LOW IN THE CASE OF A SEA-BASED FACILITY." A SOURCE IN TH DEFENSE AGENCY SAYS, "IF OKINAWA AGREES TO THATIDEA, THEN IT WILL BE WORTHY OF CONSIDERATION. N FACT, HOWEVER, SUCH AN IDEA HAS YET TO REACH A CONSENSUS OF THE PREFECTURAL UNCLAS SECTION 08 OF 08 TOKYO 000279

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 13

GOVERNMENT AND LOCAL PUBLIC ENTITIES CONCERNED. ACCORDINGLY, THERE ARE MANY UNFORESEEABLE FACTORS AS TO WHETHER OR NOT THE MAKING OF AN IMPLEMENTATION PLAN WILL GO AS SCHEDULED. CRANE

SECT: SECTION: 01 OF 08

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Clinton Presidential Records
NSC Cables
January 1997-Dec 1998 ([Futenma])
OA/Box Number: 520000

FOLDER TITLE:

[12/13/1996 - 01/16/1997]

2016-0420-F
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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]
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Clinton Presidential Records
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sb1892

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Cable

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SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 16
TEXT: UNCLAS SECTION 01 OF 09 TOKYO 000355

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR
EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA
WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN;
TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB
IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN
GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC
FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 16

TOP HEADLINES:

ASAHI: HOSTAGES IN LIMA: GUERRILLAS SHOW AGREEMENT
THROUGH WIRELESS COMMUNICATIONS TO SET UP GUARANTOR
(ARBITRATING) COMMITTEE; PROSPECTS COME INTO SIGHT FOR
PEACEFUL SETTLEMENT

NIHON KEIZAI: TO PUT A CURB ON BUDGET EXPENDITURES IN
THREE STAGES; UPPER LIMITS WILL BE SET UP BY GENERAL
SECTOR-BY-SECTOR FRAMEWORK; GOALS ESPECIALLY FOR SOCIAL

WELFARE, EDUCATION TO BE SET (TRANSLATION BELOW)

TOKYO SHIMBUN: HOSTAGE SITUATION AT AMBASSADOR'S RESIDENCE: REBELS AGREE TO SET UP "GUARANTOR COMMITTEE"; GUERRILLA LEADER MAY HAVE MADE RADIO STATEMENT; MAY BE FORERUNNER OF POSSIBLE SETTLEMENT

MAINICHI: GUERRILLAS IN PERU: ACCEPTANCE OF ESTABLISHING A "GUARANTOR COMMITTEE"; ALSO REQUESTING PARTICIPATION BY ONE EUROPEAN COUNTRY; DIRECT NEGOTIATIONS MOVING TOWARD REALIZATION

YOMIURI: PRIME MINISTER LIKELY TO VISIT CHINA IN SEPTEMBER; TOWARD REALIZATION OF LEADERS' EXCHANGE FOR STABILIZING JAPAN-CHINA TIES; PRESIDENT JIANG Z EMIN EXPECTED TO COME TO JAPAN NEXT YEAR (TRANSLATION BELOW; ARTICLE IN ENGLISH ED.)

SANKEI: AGREEMENT ON WITHDRAWAL FROM HEBRON; ISRAEL, PALESTINIANS INITIAL PACT; PEACE TALKS PUT BACK ON TRACK

PRIME MINISTER Q'S ASEAN TRIP: SPEECH EMPHASIZES U.S.-JAPAN SECURITY RELATIONS (MAINICHI - PAGE 2, JAN. 15 EDITION)

PRIME MINISTER RYUTARO HASHIMOTO'S TOUR OF COUNTRIES OF THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN) WOUND UP WITH HIS DELIVERY OF A "POLICY SPEECH" IN SINGAPORE ON THE 14TH. IN THE SPEECH, HE DID NOT DELVE INTO THE ISSUE OF JAPAN'S HISTORICAL PERSPECTIVE, UNLIKE PREVIOUS PRIME MINISTERS, WHO ALWAYS DID SO, BUT HE EMPHASIZED INSTEAD THE IMPORTANCE OF A FUTURE-ORIENTED VIEW FOR THE 21ST CENTURY. HIS SPEECH SOUGHT TO ADD SOMETHING BY SENDING A NEW MESSAGE TO ASEAN, WHICH IS CELEBRATING THE 30TH ANNIVERSARY OF ITS FOUNDATION.

THE HISTORICAL PERSPECTIVE ISSUE WAS NOT TAKEN UP IN ANY OF THE TALKS HASHIMOTO HAD WITH THE LEADERS OF THE COUNTRIES HE VISITED. BUT REGARDING THE SECURITY OF ASIA, OPINIONS WERE BRISKLY EXCHANGED ABOUT MOVEMENTS IN CHINA AND THE RATIONALE FOR THE UNITED STATES-JAPAN SECURITY TREATY. HOWEVER, UNLIKE HIS PREDECESSORS WHO REPEATEDLY EMPHASIZED THE PAST HISTORICAL PERSPECTIVES AS TO WHAT JAPAN DURING WORLD WAR II DID TOWARD THOSE COUNTRIES AND SELF-REFLECTION ON MILITARISM, THERE WAS NO MENTION OF SUCH BY THE PRIME MINISTER.

HE STRESSED INSTEAD "THE IMPORTANCE OF THE U.S. PRESENCE IN ASIA." THERE SEEMED TO BE HIS CALCULATION THAT AN ARGUMENT ON SECURITY OF ASIA CENTERING ON THE U.S.-JAPAN SECURITY ALLIANCE, LOOKING TOWARD THE FUTURE, WOULD BE MORE CONVINCING THAN EXPRESSING REGRETS FOR JAPAN'S PAST MILITARISM.

AN OFFICIAL ACCOMPANYING THE PRIME MINISTER IN FACT NOTED: "HIS NOT MENTIONING MILITARISM IN NO WAY CONTRADICTS HIS EMPHASIS ON THE U.S. PRESENCE." HE APPEARED TO TRY TO SWITCH TO A NEW DIPLOMATIC STYLE, AWARE OF THE PRESENT AGE NOW THAT MAJOR EVENTS, SUCH AS

THE 50TH ANNIVERSARY OF WWII AND THE COLLAPSE OF THE COLD-WAR STRUCTURE, HAVE ALREADY BEEN EXPERIENCED. THE QUESTION, HOWEVER, IS HOW THIS STYLE WILL BE TAKEN BY ASIANS.

UNCLAS SECTION 02 OF 09 TOKYO 000355

USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 16

SAYING, "THE U.S.-JAPAN SECURITY ALLIANCE IS INDISPENSABLE. JAPAN AND SINGAPORE SHARE STRATEGIC INTERESTS," PRIME MINISTER GOH CHOK TONG OF SINGAPORE INDICATED HIS UNDERSTANDING. BUT REGARDING PRIME MINISTER HASHIMOTO'S REMARK, "THE U.S. PRESENCE," THERE WAS NO RESPONSE FROM MALAYSIAN PRIME MINISTER MAHATHIR AND INDONESIAN PRIME MINISTER SUHARTO.

ALTHOUGH EXPECTATIONS ARE SET ON THE U.S.-JAPAN SECURITY SETUP AS "DETERRENCE CAPABILITY" AGAINST CHINA'S MILITARY BUILD-UP, ASIANS STILL HOLD A SENSE OF ALERTNESS.

AS FOR PRIME MINISTER HASHIMOTO'S SPEECH GIVEN THIS TIME, ONE OBSERVER PRAISED IT AS THE FIRST HISTORIC SPEECH SINCE THE ONE CONTAINING THE "FUKUDA DOCTRINE," AS ANNOUNCED BY PRIME MINISTER TAKEO FUKUDA (AT THE TIME) IN AUGUST 1977. THE FUKUDA DOCTRINE FIRST OF ALL EXPRESSED "(JAPAN'S) DETERMINATION TO DEVOTE ALL EFFORTS TO BECOME A PACIFIST NATION AND NOT TO BECOME A MILITARY SUPERPOWER," AND STILL RECEIVES HIGH EVALUATION IN ASIAN COUNTRIES. IN OTHER WORDS, A SENSE OF ALERTNESS TO JAPAN'S RE-ARMING ITSELF IS STILL STRONGLY ROOTED THERE. (YOSHIAKI NAKAGAWA)

HASHIMOTO TO VISIT CHINA IN SEPTEMBER TO STABILIZE RELATIONS (YOMIURI - TOP PLAY)

(BEIJING, JANUARY 15, MASAHICO SASAJIMA) THE GOVERNMENTS OF JAPAN AND CHINA HAVE BASICALLY AGREED TO AN EXCHANGE OF TOP LEVEL VISITS TO IMPROVE TIES THAT WILL BE IMPLEMENTED TO COINCIDE WITH THE 25TH ANNIVERSARY OF NORMALIZATION OF DIPLOMACY THIS SEPTEMBER AND THE 20TH ANNIVERSARY OF THE SIGNING OF A PEACE AND FRIENDSHIP TREATY IN AUGUST NEXT YEAR. THIS WAS REVEALED BY SOURCES FROM THE TWO GOVERNMENTS ON THE 15TH. THIS SPRING, WHEN FOREIGN MINISTER IKEDA VISITS CHINA, ARRANGEMENTS "TO START SETTING THE FRAMEWORK FOR MUTUAL VISITS" (CHINESE

GOVERNMENT SOURCE) WILL BE MADE, BUT AT THIS POINT, THE OUTLOOK IS FOR STATE VISITS TO START WITH PRIME MINISTER HASHIMOTO TRAVELING TO CHINA AROUND THIS SEPTEMBER, AND PRESIDENT JIANG OFFICIALLY VISITING JAPAN NEXT YEAR.

IKEDA SEOUL: ROK ASKS JAPAN TO STOP PAYMENTS TO FORMER COMFORT WOMEN (ASAHI - PAGE 1)

(SEOUL, JANUARY 15, KOJI IGARASHI) FOREIGN MINISTER YUKIHIKO IKEDA, IMMEDIATELY AFTER ARRIVING IN THE REPUBLIC OF KOREA (ROK) ON THE 15H, HELD TALKS WITH HIS COUNTERPART YOO CHONG HA. IN THE SESSION, FOREIGN MINISTER YOO NOTED, "IT IS EXTREMELY REGRETTABLE," ABOUT THE FACT THAT THE ASIAN WOMEN'S PEACE FUND STARTED PAYMENTS TO FORMER COMFORT WOMEN. HE REQUESTED THE CANCELLATION OF THE PROGRAM AND THE FREEZING OF FURTHER PAYMENTS. FOREIGN MINISTER IKEDA REJECTED THE REQUEST, SAYING, "THE JAPANESE GOVERNMENT CANNOT ORDER CANCELLATION." IKEDA ALSO SUGGESTED TALKS ON PAYMENTS BETWEEN THE FOREIGN MINISTRIES OF THE TWO COUNTRIES. JAPAN IS CONCERNED OVER THE POSSIBILITY OF THIS PROBLEM HAVING ILL EFFECTS ON THE OVERALL JAPAN-ROK RELATIONS. THE GOVERNMENT IS AIMING AT OBTAINING THE ROK'S UNDERSTANDING THROUGH WORKING-LEVEL SESSIONS BEFORE THE JAPAN-ROK SUMMIT MEETING, SCHEDULED FOR JANUARY 25 AND 26 IN BEPPU CITY, OITA PREFECTURE.

AFTER HIS SESSION WITH FOREIGN MINISTER YOO CHONG HA, FOREIGN MINISTER IKEDA PAID A COURTESY CALL ON PRESIDENT KIM YOUNG SAM. THE PRESIDENT ALSO CALLED FOR FREEZING THE PROGRAM, REMARKING, "THE ACTION, WHICH WOULD HAVE AN UNFAVORABLE IMPACT ON KOREA'S NATIONAL SENTIMENT, IS REGRETTABLE."

ROK AMBASSADOR TO JAPAN SEEKS FREEZE ON COMFORT WOMEN PAYMENTS (MAINICHI - PAGE 1, JAN. 15 EDITION)
UNCLAS SECTION 03 OF 09 TOKYO 000355

USIA

FOR: USIA D/P, I/GEA, I/RE, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 16

REFERRING TO THE JAPAN'S "ASIAN PEACE NATIONAL FUND FOR WOMEN" ON THE 7TH HAVING OFFERED PAYMENTS TO SEVEN ROK WOMEN, WHO SERVED AS SEX SLAVES TO THE FORMER JAPANESE MILITARY, REPUBLIC OF KOREA'S (ROK) AMBASSADOR TO JAPAN KIM TAE CHI MADE A REQUEST OF JAPANESE VICE FOREIGN

MINISTER SADAYUKI HAYASHI ON THE 14TH TO FREEZE SUCH ACTIONS, STATING "SUCH IS EXTREMELY REGRETTABLE."

VICE MINISTER HAYASHI, HOWEVER, EXPLAINED THE FUND'S INTENTION: (1) THE SEVEN WOMEN HAD EXPRESSED THEIR DESIRE TO RECEIVE PAYMENTS, AND (2) THE FUNDKEEPERS JUDGED THAT IT WAS NECESSARY TO RESPOND TO THE DESIRES OF THE SEVEN AGED WOMEN. HE ALSO TOLD HIM, "WE HAVE NO CHOICE BUT TO RESPECT THE INTENTION OF THE FUND IN CONSIDERATION OF THE FORMER COMFORT WOMEN."

MINSHUTO BLASTED FOR DIPLOMACY TOWARD KOREA
(SANKEI - PAGE 3)

A MINSHUTO (DEMOCRATIC PARTY OF JAPAN) DELEGATION TO THE REPUBLIC OF KOREA (ROK), LED BY CO-LEADER YUKIO HATOYAMA, RETURNED HOME LATE YESTERDAY. HATOYAMA'S GROUP WAS WARMLY WELCOMED BY PRESIDENT KIM YOUNG SAM. LAWMAKER KIM SU HAN EVEN CALLED HATOYAMA "A CHAMPION OF JAPANESE LIBERAL FORCES OF THE POSTWAR PERIOD." IN A SERIES OF TALKS WITH KOREAN LEADERS, HATOYAMA BROACHED THE JAPANESE GOVERNMENT'S COMPENSATION FOR FORMER COMFORT WOMEN, THAT WAS "SOMETHING HE SHOULDN'T HAVE DONE BECAUSE SUCH WOULD UNDOUBTEDLY WORSEN THE PROBLEM" (JAPAN-ROK RELATIONS SOURCE).

IN 1965, JAPAN AND THE ROK CONCLUDED A BILATERAL BASIC TREATY WHICH RENOUNCES THE RIGHT OF CLAIMS TOWARD EACH OTHER'S COUNTRY COMPLETELY AND THOROUGHLY. BUT THE COALITION GOVERNMENT AMONG THE LIBERAL DEMOCRATIC PARTY (LDP), SOCIAL DEMOCRATIC PARTY (SDP) AND SAKIGAKE HAS ESTABLISHED AN "ASIAN WOMEN'S PEACE FUND," CONCLUDING JAPAN NEEDS TO EXPRESS AN APOLOGY, ALTHOUGH JAPAN HAS "NO LEGAL OBLIGATION."

IN CONSIDERATION OF SUCH A DELICATE SITUATION, THE MINSHUTO EARLIER HAD CALLED THE PROGRAM "STATE-LIKE COMPENSATION (KOKKATEKI HOSHOU)" INSTEAD OF "STATE COMPENSATION (KOKKA HOSHOU)." IN FACT, IN HIS SPEECH IN SEOUL ON THE 13TH, HATOYAMA REMARKED, "IT WOULD BE PROPER FOR IT TO BE CALLED COMPENSATION BY THE STATE."

BUT AFTER HIS SESSION WITH KIM SU HAN ON THE 14TH, HATOYAMA BEGUN TO REFER TO IT AS "COMPENSATION FROM THE GOVERNMENT," AN EXPRESSION SUGGESTING STATE COMPENSATION. SUCH IS PERHAPS BECAUSE: 1) HATOYAMA HAS LONG BELIEVED THAT THE JAPANESE GOVERNMENT SHOULD OFFER STATE COMPENSATION TO THE FORMER COMFORT WOMEN; 2) THE ROK'S STANCE TOWARD THE COMFORT WOMEN ISSUE WAS MUCH MORE SEVERE THAN EXPECTED; AND 3) IT IS THE MINSHUTO'S GOAL TO BUILD FRIENDLY RELATIONS WITH THE ROK AND CHINA IN ORDER TO ACHIEVE ITS OWN ASIA POLICY.

IN ADDITION, A DELEGATION MEMBER KO TANAKA ON THE 14TH MET WITH A FORMER COMFORT WOMEN ORGANIZATION AND MADE THIS REMARK ABOUT LUMP-SUM PAYMENTS MADE FROM THE FUNDS TO SEVEN KOREAN COMFORT WOMEN: "I DO NOT THINK THE JAPANESE GOVERNMENT CAN GET AWAY FROM ITS LEGAL

RESPONSIBILITY BY JUST PAYING MONEY." HE THUS INDICATED THAT JAPAN HAS "LEGAL RESPONSIBILITY" IN ADDITION TO "MORAL RESPONSIBILITY" TOWARD THE FORMER COMFORT WOMEN.

FOREIGN MINISTER YOO CHONG HA, IN HIS TALKS WITH HATOYAMA, HAS ALSO REVEALED A PLAN TO SEEK STATE COMPENSATION FROM THE JAPANESE GOVERNMENT, A STEP SHIFTING GREATLY FROM THE PREVIOUS STANCE OF THE KOREAN GOVERNMENT. A KOREAN SOURCE ANALYZED THAT SUCH A STEP UNCLAS SECTION 04 OF 09 TOKYO 000355

USIA

FOR: USIA D/P, I/GEA, I/RE, I/REW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 16

WAS TAKEN, KNOWING FULLY WELL THE MINSHUTO'S POLICY DIRECTION.

IT CAN BE SAID THAT THE MINSHUTO'S ACTION RESULTED IN EXCESSIVE EXPECTATIONS ON THE PART OF THE KOREAN SIDE AND DREW OUT HOPEFUL REMARKS FROM KOREAN LEADERS CAPITALIZING ON IT.

IT IS A CUSTOM IN THE ROK THAT EVERY PRESIDENTIAL ELECTION IS PRECEDED BY JAPAN-BASHING. A JAPANESE GOVERNMENT SOURCE SAID APPREHENSIVELY: "I HOPE SUCH WOULD NOT END UP POURING OIL ON THE FIRE."

HATOYAMA HIMSELF THINKS THAT REALIZING STATE COMPENSATION IS "EXTREMELY DIFFICULT." ANOTHER SOURCE REMARKED: "I WONDER IF THE MINSHUTO HAS ANY PLAN ABOUT THE FISCAL RESOURCES. ARE THEY READY TO FINANCE IT BY THEMSELVES? THEY ARE SIMPLY TOO IRRESPONSIBLE." (KIYOSHI GOTO)

JDAQS DEFENSE THINK-TANK IN FIRST STRATEGIC OUTLOOK TACKLES NORTH KOREA'S ENDURABILITY (MAINICHI - PAGE 2)

THE NATIONAL INSTITUTE FOR DEFENSE STUDIES, A RESEARCH ORGAN OF THE JAPAN DEFENSE AGENCY, HAS PUBLISHED A REPORT ENTITLED AN OVERVIEW OF EAST ASIAN STRATEGIES IN 1996-97 AS THE FIRST ATTEMPT TO ANALYZE MILITARY SITUATIONS IN THE REGION OF NORTHEAST ASIA. THE NIDS REPORT REFERS TO THE PRESENT REGIME OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA) AS THE PRIMARY FACTOR CONTRIBUTING TO UNCERTAINTY IN THE REGION, AND SAYS THE REGIME "HAS ENDURABILITY." NIDS THUS HAS SHOWN ITS OWN VIEW, AND IT DIFFERS FROM THOSE IN EUROPE AND AMERICA, WHICH ARE CONCERNED ABOUT "A POSSIBLE COLLAPSE IN THE NEAR FUTURE."

ABOUT CHINA, THE REPORT SAYS THE MILITARY MANEUVERS CARRIED OUT IN THE STRAIT OF TAIWAN HAS PROLIFERATED THE ARGUMENT OF CALLING CHINA A THREAT.

REGARDING NORTH KOREA'S MOVES, THE NIDS REPORT SAYS THE LONG ABSENCE OF THE HEAD OF STATE "DOES NOT MEAN THE ABSENCE OF POWER," AND INDICATES THAT "(KOREAN WORKERS PARTY) SECRETARY KIM JONG IL CONTROLS THE PEOPLE'S ARMY OF NORTH KOREA AND HAS NOW ESTABLISHED HIS REGIME." BECAUSE OF NORTH KOREA'S CURRENT ECONOMIC DIFFICULTY AND ITS STRUCTURAL INSTABILITY, SOME OBSERVERS HAVE PREDICTED THAT NORTH KOREA MIGHT COLLAPSE. CONCERNING THIS CONJECTURE, THE NIDS REPORT PRESENTS CALM ANALYSIS: "HAVING LEARNED ITS LESSONS IN THE PAST, THE NORTH KOREAN REGIME HAS UNEXPECTED ENDURABILITY." HOWEVER, NIDS IS CONCERNED ABOUT NORTH KOREA'S NUCLEAR PROBLEM AND MISSILE DEVELOPMENT, SAYING, "AS LONG AS ITS INTENTIONS REMAIN UNCLEAR, THE SECURITY ENVIRONMENT OF JAPAN WILL BE AFFECTED."

ON THE OTHER HAND, NIDS, IN ITS REPORT, POINTS OUT THE REPUBLIC OF KOREA'S QUALITATIVE AND QUANTITATIVE MILITARY BUILDUP CENTERING ON ITS AIR FORCE, REMARKING: "THE MILITARY BALANCE ON THE KOREAN PENINSULA WILL NOT SOON BREAK DOWN; IT SEEMES TO BE HEADING TOWARD AN EXPANDED EQUILIBRIUM."

CONCERNING CHINA, THE NIDS REPORT SAYS THE MILITARY MANEUVERS CARRIED OUT BY THAT COUNTRY IN THE STRAIT OF TAIWAN FROM JULY 1995 THROUGH MARCH 1996 "DISCLOSED THE THREE FORCES' INTEGRATED OPERATIONAL CAPABILITY," AND PREDICTS THAT "THERE IS NO DENYING EVEN THE POSSIBILITY OF NEIGHBORING COUNTRIES GOING TO INCREASE THEIR ARMAMENTS, AND SUCH, IN THE LONG TERM, WOULD BRING ABOUT INSTABILITY IN THE REGION." FROM A MILITARY VIEWPOINT, THE REPORT NOTES A QUALITATIVE CHANGE IN CHINA'S ARMED FORCES, POINTING OUT: "IT IS NOTEWORTHY THAT CHINA IS NOW WEIGHING SUCH 'SOFTWARE' ASPECTS AS COMMUNICATIONS AND REAR SUPPORT ACTIVITIES, BREAKING AWAY FROM ITS STANCE OF ATTACHING EXCESSIVE IMPORTANCE TO FRONTLINE UNCLAS SECTION 05 OF 09 TOKYO 000355

USIA

FOR: USIA D/P, I/GEA, I/RE, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; VIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; USCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 16

EQUIPMENT."

AS FOR CHINA'S MODERNIZATION OF ITS DEFENSE CAPABILITY, HOWEVER, NIDS CONCLUDES THAT "IT WOULD BE DIFFICULT TO ATTAIN RAPID MODERNIZATION IN THE NEXT FIVE TO TEN YEARS" PARTLY BECAUSE CHINA HAS YET TO REACH THE LEVEL OF PRODUCING HIGH-TECH WEAPONS. ABOUT THE 'CHINA-IS-A-THREAT ARGUMENT,' NIDS VIEWS THAT "A FEELING OF VAGUE UNEASINESS ABOUT THE COUNTRY'S GIGANTIC POTENTIALITY UNDERLIES SUCH AN ARGUMENT."

AN OVERVIEW OF STRATEGIES, FROM NOW ON, WILL BE PUBLISHED ANNUALLY. AROUND MARCH, ITS ENGLISH VERSION WILL BE PUBLISHED. IN ADDITION, NIDS WILL ALSO PUBLISH ITS SUMMARY IN THE RUSSIAN, CHINESE, AND KOREAN LANGUAGES. THE PUBLICATION WILL NOT BE COMMERCIALY AVAILABLE.

SHINSHINTO AGREES ON PARTICIPATION IN MULTI-NATIONAL FORCE (MAINICHI - PAGE 1, JAN. 15 EDITION)

THE OPPOSITION PARTY SHINSHINTO HELD A MEETING OF ITS NATIONAL MEMBERSHIP ON THE 14TH TO DEBATE THE DRAFT "BASIC POLICY VISION FOR 'JAPAN'S RECONSTRUCTION'," WHICH THE PARTY HAD DRAWN UP ON THE BASIS OF ITS PLEDGES IN THE LAST GENERAL ELECTION AND RELEASED AT THE END OF LAST YEAR. IN THE MEETING, THE PARTY ACCEPTED IN GENERAL THE EXECUTIVE'S PROPOSALS THAT INCLUDE THE APPROVAL OF JAPAN'S TAKING PART IN A MULTILATERAL FORCE AND TAX CUTS WORTH 18 TRILLION YEN. OPINIONS AGAINST THE TAX-CUT PROPOSAL WERE PRESENTED IN SUCCESSION, BUT THE LEADERSHIP, BASED ON THE JUDGMENT THAT "OUR BASIC VIEWS WERE UNDERSTOOD" (PRESIDENT ICHIRO OZAWA) DURING TWO ROUNDS OF MEETING ON THE 9TH AND 14TH, WILL SUBMIT MAJOR PARTS OF THE BASIC POLICY VISION AS LEGISLATION -- A "BASIC LAW FOR JAPAN'S RECONSTRUCTION BASIC LAW" -- DURING THE REGULAR DIET SESSION THAT STARTS ON THE 20TH. BUT REGARDING PARTICIPATION OF A MULTILATERAL FORCE, ALTHOUGH AGREEMENT WAS REACHED TO APPROVE IT AFTER HEATED DEBATE, MANY SENIOR MEMBERS IN THE PARTY ARE STILL RAISING OBJECTIONS. THIS ISSUE MAY BECOME A SEED FOR FUTURE DISPUTE.

IN THE MEETING ON THE 14TH, DISCUSSION ALSO FOCUSED ON SECURITY POLICY. THE POLICY DIRECTION OF "APPROVAL OF PARTICIPATION IN A MULTILATERAL FORCE", WHICH IS CONTROVERSIAL, AND THE STATEMENT OF "NO EXERCISE OF THE RIGHT OF COLLECTIVE SELF-DEFENSE," BOTH OF WHICH ARE IN THE DRAFT, ARE INCONSISTENT WITH THE GOVERNMENT'S CURRENT INTERPRETATION OF NOT ALLOWING THE USE OF ARMED FORCE OVERSEAS, SO SOME PARTICIPANTS, MAINLY FROM THE FORMER KOMEITO, EXPRESSED CAUTIOUS VIEWS.

JDA DIRECTOR GENERAL RULES OUT DRAWDOWN OF MARINES FROM OKINAWA (SANKEI - PAGE 3, JAN. 15 EDITION)

JAPAN DEFENSE AGENCY (JDA) DIRECTOR GENERAL AKIO KYUMA GAVE A SPEECH ON THE AFTERNOON OF THE 14TH IN TKYO, AND IN HE REFERRED TO THE U.S. GOVERNMENT'S "REVIEW OF THE NATIONAL DEFENSE PLAN," WHICH WILL START IN MAY. HE SAID THAT IN HIS OPINION, "THE U.S. MAY LIKELY RETAIN THE

100,000 TROOPS IN THE ASIA-PACIFIC REGION. IT HAS CLARIFIED THAT MAINTAINING ITS PRESENCE IN THIS REGION IS IN ITS NATIONAL INTEREST."

THAT STATEMENT SUGGESTED A NEGATIVE VIEW TOWARD EMERGING EXPECTATIONS IN OKINAWA PREFECTURE AND OTHER PLACES REGARDING A WITHDRAWAL OR REDUCTION OF U.S. MARINES STATIONED IN OKINAWA, IN LINE WITH THE TIMING FOR A REVIEW OF THE NATIONAL DEFENSE PLAN.

MEANWHILE, REGARDING THE U.S. MILITARY BASES PROBLEM IN OKINAWA, THE JD DIRECTOR GENERAL EMPHASIZED HIS INTENTION TO CONTINUE EFFORTS FOR REDUCING BASES, NOTING, UNCLAS SECTION 06 OF 09 TOKYO 000355

USIA

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E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 16

"MAINLAND JAPAN HAS TO ACCEPT SUCH BASES THAT CAN BE ABSORBED THERE."

U.S. CONGRESSIONAL DELEGATION URGES JAPANESE PARTICIPATION IN MISSILE DEFENSE PROGRAM
(SANKEI - PAGE 3, JAN. 15 EDITION)

FOREIGN MINISTER YUKIHIKO IKEDA MET AT HIS MINISTRY ON THE AFTERNOON OF THE 14TH WITH A DELEGATION OF SEVEN UNITED STATES MEMBERS OF CONGRESS, WHO INCLUDED HOUSE NATIONAL SECURITY COMMITTEE MEMBER (FLOYD) SPENCE.

IN THE MEETING, JAPAN WAS ONCE AGAIN ASKED TO PARTICIPATE IN THE BALLISTIC MISSILE DEFENSE INITIATIVE (BMD), THE U.S. SIDE REMARKING: "WE HOPE JAPAN WILL HAVE A DEEPER UNDERSTANDING OF THE POINT THAT IT WOULD BENEFIT JAPAN AS WELL." THE FOREIGN MINISTER HOWEVER WENT NO FARTHER THAN TO SAY, "WE WILL CONTINUE TO STUDY IT AS AN IMPORTANT SUBJECT."

SPECIAL ASSISTANT OKAMOTO WORKING ON LOCAL COMMUNITY TO ACCEPT OFFSHORE HELIPORT
(SANKEI - PAGE 3, JAN. 15 EDITION)

THE PRIME MINISTER'S ASSISTANT, YUKIO OKAMOTO, NOW VISITING OKINAWA, GAVE A SPEECH AT A STUDY FORUM OF OKINAWA PREFECTURE'S SENIOR OFFICIALS IN NAHA CITY ON THE AFTERNOON OF JANUARY 14, AND IN IT HE TOUCHED ON THE ISSUE OF CONSTRUCTING A SEA-BASED HELIPORT FOR THE

PLANNED REVERSION OF THE (U.S. FORCES') FUTENMA AIR STATION SITE. REGARDING THIS PROBLEM, OKAMOTO STATED, "THERE IS NO DOUBT THAT AN AREA IN THE WATERS OFF CAMP SCHWAB IS ONE OF THE OPTIMUM CANDIDATE PLACES." FURTHERMORE, OKAMOTO WENT ON, "I WILL GO TO NAGO CITY (WHERE THE BASE IS LOCATED), AND I WILL ASK THE CITY TO LET US CONDUCT A SURVEY." SO REMARKING, OKAMOTO REVEALED THAT TAKEHIKO SHIMAGUCHI, DIRECTOR GENERAL OF THE DEFENSE FACILITIES ADMINISTRATION AGENCY'S REGIONAL BUREAU AT NAHA, WOULD CALL ON NAGO CITY THIS MONTH TO SEEK THE CITY'S CONSENT TO STARTING THE SURVEY.

THE JAPANESE AND U.S. GOVERNMENTS HAVE NOW ALREADY AGREED IN EFFECT TO CONSTRUCT AN ALTERNATIVE FACILITY WITHIN THE OFFING OF CAMP SCHWAB, AND THIS IS THE FIRST TIME THAT A GOVERNMENT OFFICIAL HAS MADE SUCH IN-DEPTH REMARKS.

IN HIS SPEECH, OKAMOTO SHOWED HIS ENTHUSIASM FOR TRYING TO PERSUADE THE CITY, REMARKING THAT THE GOVERNMENT "WILL SINCERELY ASK" FOR THE LOCAL SIDE'S AGREEMENT." ON THE OTHER HAND, OKAMOTO SAID, "WHATEVER RESULTS THE SURVEY MAY SHOW, IT'S INCONCEIVABLE THAT WE WILL FORCIBLY CARRY OUT THE (CONSTRUCTION) PROJECT IF NAGO CITY SAYS 'NO'." OKAMOTO THUS EXPRESSED THE GOVERNMENT'S INTENTION TO RESPECT THE LOCAL MUNICIPALITY'S OPINION. HE ALSO SOUGHT THE OKINAWA PREFECTURAL GOVERNMENT'S COOPERATION IN ORDER TO PERSUADE NAGO CITY, REMARKING, "WE'D LIKE THE PREFECTURAL GOVERNMENT TO WORK TOGETHER WITH US."

NEW FISCAL REFORM DRAFT LEGISLATION CALLS FOR LONG-TERM 3-STAGED REDUCTION IN EXPENDITURES
(NIHON KEIZAI - TOP PLAY)

THE GOVERNMENT AND RULING PARTIES HAVE DECIDED AN OUTLINE OF A "FISCAL RECONSTRUCTION LAW" (TENTATIVE NAME), WHICH INDICATES MEASURES FOR THE NATION'S FISCAL RECONSTRUCTION. ACCORDING TO THAT, IN ORDER TO REALIZE A TARGET OF ACHIEVING FISCAL RECONSTRUCTION BY THE YEAR 2000, QUANTITATIVE TARGETS WILL BE SET FOR SPENDING ITEMS IN THE ORDER OF THE SIZE OF EXPENDITURES THEY COMMAND IN EACH YEAR'S STATE BUDGET. THE POLICY LINE IS: (1) SETTING A MAXIMUM UPPER LIMIT FOR A GROWTH RATE OF EXPENDITURES IN THE GENERAL ACCOUNT AS A WHOLE; (2) SETTING REDUCTION AND CONSTRAINT TARGETS FOR EACH
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E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 16

SPENDING SECTOR, SUCH AS PUBLIC WORKS PROJECTS AND SOCIAL SECURITY; AND (3) SETTING FINER-LINE TARGETS IN THE SOCIAL SECURITY AND EDUCATION FIELDS, SUCH AS A PAYMENT LEVEL OF SOCIAL SECURITY ALLOWANCES. FOR IMPLEMENTATION OF NEW POLICY MEASURES THAT ENTAIL INCREASED EXPENDITURES, THE LAW WILL SPELL OUT THE ADOPTION OF THE "SCRAP AND BUILD" PRINCIPLE, WHICH OBLIGATES IMPLEMENTATION OF MEASURES TO SLASH EXPENDITURES EQUIVALENT TO THOSE AMOUNTS. THE GOVERNMENT WILL AIM AT SUBMITTING THE LEGISLATION TO THE EXTRAORDINARY DIET SESSION TO OPEN IN THE FALL.

NEW FUNDING RESOURCES TO BE CREATED THROUGH SQUEEZE ON EXISTING EXPENDITURE ITEMS

THE "COUNCIL OF FISCAL STRUCTURAL REFORM" COMPOSED OF CABINET MINISTERS AND INFLUENTIAL MEMBERS OF THE GOVERNMENT AND RULING BLOC IS SCHEDULED TO HOLD ITS FIRST MEETING ON THE 21ST TO DECIDE ON THE DETAILS OF THE LEGISLATION BY JUNE 18, WHEN THE EXTRAORDINARY DIET SESSION IS TO ADJOURN. THE LIKELIHOOD IS THAT THE LEGISLATION WILL FOCUS ON SETTING A CEILING FOR EXPENDITURES AS A WHOLE AND TARGETS FOR SLASHING EXPENDITURES IN EACH EXPENDITURE FIELD.

SUCH SPENDING-CUT TARGETS WILL COVER A PERIOD UP TO THE YEAR 2005, BY WHICH TIME THE GOVERNMENT HOPES TO COMPLETE FISCAL RECONSTRUCTION. AS THE FIRST STEP FOR THAT, THE GOVERNMENT WILL SET A MAXIMUM UPPER LIMIT FOR EXPENDITURES IN THE GENERAL ACCOUNT PORTION OF THE NATIONAL BUDGET -- POLICY-RELATED EXPENDITURES. A PROPOSAL FOR "HOLDING DOWN A GROWTH RATE OF GENERAL OPERATING OUTLAYS" IS FLOATING IN GOVERNMENT CIRCLES.

THE GOVERNMENT ALSO INTENDS TO SET A CEILING FOR EACH EXPENDITURE FIELD IN THE GENERAL ACCOUNT. STUDIES HAVE YET TO BE CONDUCTED REGARDING WHETHER A GROWTH RATE SHOULD BE CONSTRAINED OR A SQUEEZE SHOULD BE PUT ON A MONETARY AMOUNT, BUT SUCH TARGETS WILL BE SET, CLASSIFIED BY THE SIZE OF EXPENDITURE ITEMS, SUCH AS PUBLIC WORKS PROJECTS, SOCIAL SECURITY, EDUCATION AND OFFICIAL DEVELOPMENT ASSISTANCE (ODA).

THE VIEW IS, HOWEVER, THAT IT WOULD BE DIFFICULT TO COMPRESS EXPENDITURES IN SUCH BUDGETARY ITEMS AS SOCIAL SECURITY AND EDUCATION, WHICH HAVE A STRONG NATURE OF BEING MANDATORY SPENDING. TO SOLVE THIS PROBLEM, FINER-LINED TARGETS, SUCH AS A PAYMENT LEVEL OF SOCIAL SECURITY EXPENSES LIKE MEDICAL-CARE, PENSIONS AND WELFARE, AND A LEVEL OF A GOVERNMENT SPENDING RATE FOR THE COMPULSORY EDUCATION SYSTEM, WILL BE SET. A STANCE OF TAKING A SECOND LOOK AT VARIOUS KINDS OF SYSTEMS WILL ALSO BE INDICATED.

THE PROPOSED FISCAL RECONSTRUCTION LAW WILL ADOPT A THREE-GRADE SPENDING-CUT FORMULA. AS FOR MEASURES FOR SPECIFIC

SPENDING COMPRESSION FOR EACH FISCAL YEAR UP TO THE YEAR 2005, THE GOVERNMENT IS EXPECTED TO MAP OUT A "MID-RANGE FISCAL RECONSTRUCTION PLAN" (TENTATIVE NAME) ONCE THE LEGISLATION IS APPROVED. ~

THE SCRAP AND BUILD SYSTEM WILL ALSO BE EMPLOYED FOR OTHER SPENDING ITEMS SO THAT EXPENDITURES WILL NOT EXPAND WHEN NEW MEASURES ARE NEEDED. A PLAN TO FOLLOW THE SUIT OF THE UNITED STATES IS MOST LIKELY TO BE ADOPTED. THE U.S. MAKES IT MANDATORY BY LAW TO STICK TO THE PRINCIPLE OF ADOPTING TAX-HIKE OR SPENDING-CUT MEASURES, WHEN MANDATORY EXPENSES HAVE TO BE AUGMENTED OR CUT THROUGH REVISIONS TO SYSTEMS.

FOR A CASE WHERE NEW ADMINISTRATIVE EXPENDITURES ARISE, THE GOVERNMENT WILL LOOK INTO THE POSSIBILITY OF ADDING TO THE RECONSTRUCTION LAW A RULE THAT REQUIRES GOVERNMENT UNCLAS SECTION 08 OF 09 TOKYO 000355

USIA

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E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 16

AGENCIES THAT REQUESTED SUCH BUDGETARY OUTLAYS TO FIND FUNDING RESOURCES BY MEANS OF EITHER REDUCING EXPENDITURES OR RAISING TAXES.

U.S. CONSIDERING JAPANQS PROPOSAL ON LIQUOR TAX ISSUE (NIHON KEIZAI - PAGE 3)

(WASHINGTON, JANUARY 15, YASUHIKO OTA) TALKS BETWEEN THE JAPANESE AND UNITED STATES GOVERNMENTS OVER JAPAN'S LIQUOR TAX RATE GAPS BETWEEN SHOCHUU (DISTILLED SPIRITS) AND WHISKY WOUND UP ON THE 14TH, WITH A SETTLEMENT CARRIED OVER TO FUTURE NEGOTIATIONS. THE U.S. PROMISED TO CONSIDER JAPAN'S PROPOSAL TO CORRECT THE GAPS IN EFFECT BY LOWERING THE TAX RATE ON BOURBON WHISKY, AND THE TWO SIDES AGREED TO MEET AGAIN NEXT WEEK. DEPENDING ON HOW THE U.S. REACTS TO JAPAN'S PROPOSAL, BOTH SIDES COULD SETTLE THE ISSUE WITHOUT THE NEED FOR ARBITRATION BY THE WORLD TRADE ORGANIZATION (WTO).

THE TALKS WERE ATTENDED BY FOREIGN MINISTRY ECONOMIC AFFAIRS BUREAU DIRECTOR GENERAL NOGAMI, FINANCE MINISTRY'S INSTITUTE OF FISCAL AND MONETARY POLICY HEAD KURODA FROM THE JAPANESE SIDE, AND BY AMBASSADOR TO THE OFFICE OF THE U.S. TRADE REPRESENTATIVE (USTR) SHAPIRO FROM THE U.S. SIDE. DURING THE TALKS, JAPAN PRESENTED A

COMPROMISE PROPOSAL TO SPEED UP IMPLEMENTATION OF TARIFF CUTS ON U.S. BOURBON WHISKY IN EXCHANGE FOR A DELAYED REDUCTION OF CLASS B SHOCHU SPIRITS PRODUCED BY SMALL TO MEDIUM-SIZE BREWERS.

A USTR OFFICIAL STATED AFTER THE TALKS, "I HAD ANTICIPATED JAPAN WOULD IMPLEMENT TAX CUTS ON SHOCHU AHEAD OF THE PROPOSED SCHEDULE, BUT I AM NOW DISAPPOINTED." BUT THE U.S. IS WILLING TO LOOK INTO THE DETAILS OF JAPAN'S PROPOSAL, AND IS EXPECTED TO GIVE ITS REPLY NEXT WEEK.

SPRING LABOR OFFENSIVE: NIKKEIREN SAYING QZEROQ WAGE HIKE AND RENGU ASKING FOR 17,300 YEN
(MAINICHI - PAGE 1, JAN. 15 EDITION)

THE JAPAN FEDERATION OF EMPLOYERS ASSOCIATIONS (NIKKEIREN ABBREVIATION IN JAPANESE, CHAIRED BY JIRO NEMOTO) AND THE JAPAN TRADE UNIONS' CONFEDERATION (CALLED RENGU, CHAIRED BY JINNOSUKE NEMOTO) ON THE 14TH RELEASED A LABOR COUNCIL REPORT AND A RENGU WHITE PAPER, RESPECTIVELY. THE NIKKEIREN'S REPORT AND RENGU'S WHITE PAPER WILL SERVE AS THE BASIC STANDS OF THE TWO SIDES IN WAGING THIS YEAR'S SPRING WAGE OFFENSIVE (SHUNTO). WITH THIS, THE 1997 SHUNTO HAS EFFECTIVELY BEGUN. THE NIKKEIREN HAS SET FORTH A POLICY LINE OF A ZERO PERCENT INCREASE IN THE BASE WAGE FOR FIVE CONSECUTIVE YEARS, WHILE RENGU IS AIMING AT A 14,000 YEN PAY RAISE, AN APPROXIMATELY 4.4 PERCENT INCREASE. A TUG-OF-WAR BETWEEN MANAGEMENT AND LABOR WILL LIKELY INTENSIFY UNTIL THE CLIMAX IN MID-MARCH. THE QUESTION OF HOW THE SHUNTO SHOULD BE WAGED ALSO WILL BE A SIGNIFICANT ISSUE.

THE NIKKEIREN'S REPORT POINTS OUT THAT JAPAN IS NOW MOVING TOWARD BEING A MATURE SOCIETY LIKE EUROPE AND THE UNITED STATES, IN THAT LOW ECONOMIC GROWTH AND A HIGH JOBLESS RATE HAVE CONTINUED. IT CALLS FOR THE NEED TO GIVE PRIORITY TO "JOB SECURITY" AND NOT "WAGE HIKE" IN ORDER TO CHANGE JAPAN'S HIGH-COST STRUCTURE. WITH THIS, THE REPORT SETS FORTH A ZERO PAY-RAISE POLICY COURSE FOR FIVE YEARS RUNNING.

RENGU'S WHITE PAPER, HOWEVER, REBUTS (NIKKEIREN), SAYING THAT IT IS NEGLECTING ITS SOCIAL RESPONSIBILITY AS MANAGEMENT. IT THEN INSISTS THAT A PAY RAISE IS POSSIBLE AND THAT IT WOULD SERVE TO EXPAND CONSUMPTION AND BOOST ECONOMIC RECOVERY. RENGU WILL HOLD THE FIRST EXPANDED CENTRAL STRUGGLE COMMITTEE MEETING ON THE 16TH. IN THE UNCLAS SECTION 09 OF 09 TOKYO 000355

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E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 16

SESSION, IT WILL DECIDE ON THE DATE THAT SUCH MAJOR LABOR UNIONS AS AUTOMOBILE AND ELECTRICAL MACHINERY INDUSTRY WILL GET THEIR RESPONSES FROM THEIR COMPANIES ON MARCH 18 AND 19. AND IT WILL CONFIRM EFFORTS TO REALIZE PAY RAISES.

IN THE LAST SHUNTO, RENGU OBTAINED A 2.81 PERCENT (ACCORDING TO NIKKEIREN) PAY RAISE, THE SECOND LOWEST, NEXT TO THE YEAR BEFORE LAST YEAR'S 2.80 PERCENT (ACCORDING TO NIKKEIREN). FOCUS WILL BE ON HOW MUCH SOME COMPANIES' GOOD PERFORMANCE WILL REFLECT ON PAY RAISES, AS WELL AS WHETHER COMPANIES WILL BE ABLE TO STOP ACTING IN CONCERT IN SETTING PAY RAISES. CRANE

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