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001. cable	Re: Comments on Okinawa Issues (4 pages)	01/23/1997	P1/b(1)
002. cable	Re: Japan-U.S. / Security Issues (4 pages)	01/28/1997	P1/b(1)

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RESTRICTION CODES

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- 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]
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SUBJ: JAPANESE DAILY PRESS SUMMARY 01/16/97
(PART 2)
TEXT:
UNCLAS SECTION 01 OF 08 TOKYO 000380

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- (6) Japan's Posture of Not Raising Protest against Takeshima Issue in Japan-ROK Talks Leaves Uneradicated Root of Evil for Future Negotiations

SANKEI (Page 3) (Full)
January 16, 1997

(Seoul, January 15, Mie Sasaki)

In the Japan- Republic of Korea (ROK) Foreign Ministerial on the 15th, Foreign Minister Yukihiko Ikeda did not raise a protest to the Chinese side against its pier construction work on the Takeshima Islands. In the background, there is the judgment that before the Japan-ROK summit meeting scheduled for the 25th and 26th, "it would be undesirable to inflame the sentiments of the two nations' peoples," and "Making waves would merely result in complicating the issue" (government source).

When Japanese and ROK officials met at year's end to make arrangements for the Foreign Ministerial, both sides shared the view that "we will unavoidably have to touch on the Takeshima issue" (Foreign Ministry source), but (the Japanese side) had hoped to "lead the issue in a forward-looking, friendly direction" (same source). That was because on the ROK side, there were signs observed of trying to skirt the comfort women issue" (same source). But in response to the "Asian Women's Peace Fund" starting to offer the lump-sum payments to seven former comfort women, Foreign Minister Yoo Chong Ha requested Minshuto (Democratic Party of Japan) leader Yukio Hatoyama during their meeting that the Japanese Government provide state compensation.

In the Foreign Ministerial, Foreign Minister Yoo did not refer to this issue but resolutely called for canceling payments and discontinuing the

program. . Foreign Minister Ikeda, refusing the request for cancellation, replied "We are willing to hold talks by officials concerned of the two countries." But the fund program might be frozen, depending on how ROK people react.

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Despite such a diplomatic offensive on the ROK side, Japan did not set forth any clear approach to the Takeshima issue as it had initially planned. The Foreign Ministerial thus proceeded at a path set by the ROK. A Japan-ROK diplomatic relations-connected source explained, "Inflaming the ROK side would cause the issue to move backward." But the ROK has steadily pushed ahead with the construction work of piers, turning a deaf ear to Japan's protest. Japan's failure in having made a proper assertion based on the current situation would mean that the root of evil has been left uneradicated for future diplomatic negotiations.

Major Exchanges at Japan-ROK Talks

Major exchanges during talks between Foreign Minister Yukihiko Ikeda and ROK Foreign Minister Yoo Chong Ha, as well as between Ikeda and ROK President Kim Yong Sam are as follows:

-- Foreign Ministerial

Yoo: The "Asian Women's Peace Fund" has started procedures for lump-sum payments. That is extremely regrettable. I call for cancellation of the program and freezing of further payments. We must not allow the entire Japan-ROK relations to be affected adversely by this issue. I want Japan to settle this in a way satisfactory to all of us.

Ikeda: The Fund has started payments on humanitarian grounds, while paying regard to the desires of the fund recipients. The Japanese Government cannot instruct it to cancel the

program. Yet, holding talks between the Foreign Ministries of the two nations is possible.

-- Talks with President

Kim: Although North Korea announced its regret and promised to prevent a recurrence, it has publicized the ROK's having sent back the bodies to the North as an "expression of its apology." In judging whether the ROK should smoothly agree to four-party talks, we must carefully watch the situation. Japan and the ROK need to keep in close touch in the future as well.

Ikeda: Japan will continue to make close contact with the ROK.

Kim: The Fund's program is a regrettable measure that will have an ill effect on the ROK people's sentiments. I hope such a measure would not be taken again.

Ikeda: (Upon giving explanations as was the case in the Foreign Ministerial,) We are ready to fully discuss this issue.

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Kim: (Referring to the statement of former Management and Coordination Agency director general Takami Eto,) His statement is very regrettable. Those who are in a position of taking the lead in the Japanese Government tend to affect the people's sentiments. Keeping such in mind, I hope you will make effort to prevent such a statement from appearing in the future.

Ikeda: That was not a statement representing the Japanese Government's stance.

(Kyodo)

(7) Former Comfort Women Issue Comes under Strong

Protest from ROK; Gaps Still Wide Open Despite
Foreign Ministerial Talks; May Affect Planned
Summit Meeting

ASAHI (Page 2) (Full)
January 16, 1997

(Seoul, January 15, Kiyoshi Hasaba, Koji Igarashi)

Despite the Foreign Ministerial meeting between Japan and the Republic of Korea (ROK), both sides remain unable to bridge the gap that exists in dealing with the former military comfort women problem. Regarding payment of "compensation money" and the like, the Japanese Government has said it conveyed it to the ROK side in advance through diplomatic channels, expecting the matter not to develop into a diplomatic dispute between the two countries. But the ROK side has heightened its objections to Japan's stance, claiming that Japan high-handedly began the procedures for payments. The likelihood is that there may be a fallout from this incident on the Japan-ROK summit meeting set for the 25th and 26th in Beppu City, Oita Prefecture.

According to a high-ranking Japanese government official, the Japanese side, just before beginning to take the steps necessary for the payments, asked the ROK Government through diplomatic channels to "somehow understand the funding operation." But the ROK Foreign Ministry sought to delay the commencement of payments, noting that "trouble will later develop."

-- Timing

The Japanese Government initially wanted to launch the program in the ROK as well, around last year's anniversary of the end of the Pacific War. However, the ROK reportedly repeated, "We would like you to wait a little while."

As for why Japan at this point decided to start the project, an aide to the Prime Minister explained:
"No prospects have been shown by the ROK side except for its just asking us to wait. We have
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received, however, strong requests for payment from a portion of former comfort women. We then arrived at a judgment that if we missed this timing, we would become unable to maintain the fund project itself." Since it was anticipated that the ROK side would show protest, an exact commencement date of the project and former comfort women subject to receipt of such a payment were both withheld when an advance notice was issued.

A Japanese government source in Seoul says the ROK Government gave an explanation: "Our hard-line stance is for constraining protests from the mass media and supporters' groups." But the ROK Government denied such a "notice," and undoubtedly it has been displeased with the Japanese Government's unilateral approach.

However, it is in a way difficult to conclude simply that the ROK Government's strong stance is no more than a pose coming from its awareness of opposition to the procedures for fund payments and domestic opinion. One reason why the ROK Government switched from the previous view that the "compensation problem has been already settled" to the position of implicitly seeking Japan to pay national compensation was due to a recommendation made in last April by the United Nations Human Rights Committee. Regarding the comfort women problem, it is pointed out that the problem is a "new historical fact" that was not discovered at a time when the Japan-ROK treaty was concluded. A claim is now emerging that the Japanese side needs to take a new approach.

-- Sense of Distrust

What lies behind is a deep sense of distrust of Japan in terms of its historical views as are seen in successive "remarks that were made for "justifying colonization." The tone of the ROK media, which are opposed to Japan, is: "It is trying to settle everything by money, without changing its historical perspectives."

An official accompanying Foreign Minister Yukihiko Ikeda has placed his hopes on President Kim Young Sam, remarking, "I have been convinced that the upcoming summit talks will not widely cover that problem," as the President stated regarding the planned summit to take place in Beppu: "I am looking forward to having it. I would like to

bring forward Japan-ROK relations." But in the ROK, chances are strong that no outlook may be obtained as to how the project will be unfolded in the future with the wide gulf remaining to be filled.

(8) Shinshinto Adopts Leadership-Drafted New Policy Program by Taking "Ozawa's Word as Law"; Criticism against Leadership Inevitable over Contentious Security Issues and Tax Cuts
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MAINICHI (Page 2) (Excerpts)
January 15, 1997

The Shinshinto (New Frontier Party) in its plenary session on the 14th adopted a new policy program that was drafted by the party leadership. But opposition is still smoldering in the party over security policy, the 18-trillion-yen tax cut program, and the 20 trillion-yen-administrative expense reduction plan. The leadership is likely to come under heavy rain of criticism over the policy decision.

Members voiced opinions actively in the plenary session that was held by the leadership on the 9th and 14th as a "test case as a political party" (Secretary General Takeo Nishioka). The sessions served to underline the "openness" of the party, as planned.

In the closing period for consolidating opinions, former prime minister Morihiro Hosokawa and others called for a "cautious and thorough discussion" regarding security measures. Their opinion, however, was overruled by a majority "vote" that was prompted by President Ichiro Ozawa's comment, "This basic policy direction must be approved."

Major Opinions on Diplomacy and Security

(Hawkish)

Shingo Nishimura:

The Constitution does not prohibit the exercise of the right of collective self-defense. If the collective defense right is unconstitutional and if Self-Defense Forces (SDF) units are attacked when they are engaging in logistics support, they can either abide by the Constitution and suffer a crushing defeat or resort to extraordinary steps outside the legal framework. The present military condition suggests that logistics support units would undoubtedly be an optimal target.

Shigeto Nagano:

Article 9 in the Constitution does not prohibit the use of armed force as part of United Nations peace-keeping operations. Is it proper for Japan to sit back and do nothing when the United States and the Republic of Korea are busy dealing with the Korean Peninsula situation? We should pay more attention to the view afloat in the U.S. calling for abrogating the U.S.-Japan Security Treaty.

Eisei Ito:

In my view, the exercise of the collective defense right is allowed under the Constitution, but the debate on the right of self-defense itself is unproductive. We should give serious thought to what Japan should do if something happens near Japan.

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(Leaned toward Leadership)

Tetsuzo Fuyushiba:

Article 98 in the Constitution stipulates the observance of the treaties concluded by Japan. Japan needs to cooperate for collective security, as is stipulated in the UN Charter. The permissible scope of Japan's participation would be determined by law or a Diet resolution. Japan's

participation is in conformity with the preamble to the Constitution. The style of cooperation should be left to a political decision. Practicing caution is essential. In that sense, I think the leadership's plan is agreeable.

(Dovish)

Morihiro Hosokawa:

We should discuss the subject carefully because it is closely related to the Constitution. We do not want a half-way conclusion that reflects today's discussion partially. I am not suggesting to leave everything to the leadership. We should discuss it thoroughly in the permissible scope of the Constitution.

Masatomo Kawai:

The Shinshinto's temporizing approach of approving the Self-Defense Forces' (SDF) participation in a multinational force without amending the Constitution or approving the exercise of the collective defense right would diminish its credibility the two types of people have (those calling for an amended constitution in order to let the SDF participate in such activities, and those opposing the SDF's participation from their pro-constitutional stance.)

Masao Akamatsu:

(Taking part in a multinational force) requires constitutional amendment. I am against the idea of proposing a basic security law. Conducting this kind of debate itself is regarded as hawkish. We should rather call more vocally for the complete removal of the U.S. forces in Japan. The Soka Gakkai is watching our discussion with great interest. We need to push ahead with this subject carefully.

Shozo Kusakawa:

We should not reach a hasty conclusion. President Ozawa is sticking to his argument that the SDF's participation in multinational force missions is allowed under the present Constitution. But taking part in any UN security program is a delicate subject that requires extra caution. Thoughtful consideration is also required for logistical support. Neighboring countries would oppose Japan's participation in a multinational force.

(Katsuyoshi Kiyomiya)

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(9) Futenma Heliport Offshore Relocation:
Governor Ota Refuses to Serve as Intermediary;
"Prefecture Is Not Party Concerned"; Request Made
by Prime Minister's Assistant for Nago City

MAINICHI (Page 2) (Full)
January 16, 1997

Yukio Okamoto, a special assistant to the Prime Minister for Okinawa affairs, gave a speech, in which he touched on the planned construction of an alternative offshore heliport for Futenma Air Station and then remarked that "an area in the waters off Camp Schwab is one of the optimum candidate places" and he "will ask Nago City (where the base is located) this month for a survey." Referring to this statement, Okinawa Prefecture's Governor Masahide Ota on January 15 said, "The prefecture is not the party concerned." The governor has thus reunderscored his having no intention of serving as intermediary between the central government and the local municipality.

Special Assistant Okamoto delivered a speech at a study forum of Okinawa Prefecture's senior officials on January 14. Regarding the offshore plan, he unveiled the Government's future schedule, remarking, "Camp Schwab is an optimum site. I will go to Nago City that has conditions as a candidate, and will ask sincerely for a survey." At the same time, he also sought the prefectural government's cooperation.

Concerning that request, Governor Ota on the 15th denied the possibility of extending cooperation for the time being, at a hotel in Okinawa Prefecture's Ginowan City, where he met with Home Affairs Minister Katsuhiko Shirakawa, saying, "The prefecture, which is not the party concerned, will not go along (with the central government)."

Since the Japan-U.S. Special Action Committee (on Facilities and Areas in Okinawa) (SACO) released its final report, Governor Ota has already expressed his having no intention of playing an intermediary role, remarking: "Basically, this

matter should be negotiated between the Government and local municipalities. I will study things if and when the local municipalities (requested by the central government) ask the prefectural government for cooperation. At the end of last year the governor clarified his plan to visit the U.S. this spring to call for the U.S. Government to reduce or withdraw the U.S. Marine Corps troops in Okinawa, stressing that "there is no change in the prefectural government's basic position against the idea of relocating the base within the same prefecture." The governor intends to determine his attitude after seeing through the U.S. Government's discussion of a reduction in the Marine troop strength (on Okinawa) and its future course of

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action.

Promotional measures to be shaped; central and prefectural governments to start working-level consultations next week

The Government and Okinawa Prefecture will finally start full-fledged consultations on January 20 to carry out a package of Okinawa promotional measures. The Government's project team has now compiled promotional measures worked out by various Government ministries and agencies, and its working-level members, numbering about 100 officials, are now successively visiting Okinawa Prefecture. The project team is going to decide on a course of action for the precedence of measures to be carried out as projects, and will also enter into intensive coordination work on the prefectural government's international urban planning concept.

According to Okinawa Prefecture's international urban planning promotion office, the central and prefectural governments will hold working-level consultations for a period of four days from the 20th. Division directors and assistant directors from various central government ministries and

agencies will hold talks with the prefectural government side to discuss specific matters. The Government last September made a cabinet decision on a special slot of adjustment expenses earmarked at five billion yen for the promotion of Okinawa, and the project team will study the purpose of such appropriations. After that, the project team will refer the results of its studies to the Okinawa Policy Consultative Council through its secretariat.

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TOP HEADLINES:

ASAHI: WHEN CAN RESIDENTS RESTORE THEIR LIVING
CONDITIONS? TWO YEARS SINCE GREAT HANSHIN-AWAJI
EARTHQUAKE BUT 20 PERCENT OF VICTIMS STILL LIVING IN
TEMPORARY HOUSING

NIHON KEIZAI: PORTABLE TELEPHONE CHARGES WILL BE CUT NEXT
MONTH ACROSS THE BOARD; PHS COMPANIES TO REMOVE
MEMBERSHIP FEE; NTT DOCOMO TO SLASH BASIC RATE BY 22

PERCENT AT MAXIMUM; COMPETITION ACCELERATED WITH DEREGULATION

TOKYO SHIMBUN: JAF MEMBERSHIP PROBLEM: FAIR TRADE COMMISSION QUESTIONS AUTO DEALERS FEDERATION; MEMBERSHIP FEE SPECIFIED UNIFORMLY BY AUTO DEALERS; WILL ALSO QUESTION JAF EARLY NEXT WEEK

MAINICHI: TWO YEARS SINCE OCCURRENCE OF GREAT HANSHIN-AWAJI EARTHQUAKE; PEOPLE TO VOW TO RECONSTRUCT ON THE DAY OF PRAYER

YOMIURI: TO LIFT A BAN ON ESTABLISHING OF STOCK-HOLDING FIRMS IN SUCH AREAS AS "BANKING" AND "SPIN OFF FIRMS FROM PARENT COMPANIES"; ALSO A BAN WILL BE REMOVED UPON FAIR TRADE COMMISSION'S JUDGMENT; BILL SPONSORED BY THE GOVERNMENT AND RULING PARTIES TO BE SUBMITTED TO THE UPCOMING REGULAR DIET SESSION (TRANSLATION BELOW)

SANKEI: MEMORIAL EVENTS FOR THE GREAT HANSHIN-AWAJI EARTHQUAKE WILL TAKE PLACE TODAY; STILL 66,000 VICTIMS LIVING AT TEMPORARY HOUSING; RECONSTRUCTION OF ROADS FOR PEOPLE'S LIVELIHOOD STILL LEFT UNDONE AS PART OF CONSOLIDATION OF INFRASTRUCTURE

PRIME MINISTER Q'S DIET POLICY SPEECH OUTLINED
(NIHON KEIZAI - PAGE 2)

PRIME MINISTER RYUTARO HASHIMOTO'S POLICY SPEECH FOR JANUARY 20, THE OPENING OF THE REGULAR DIET SESSION, HAS BEEN FIRMED UP. THE FOCUS WILL BE THE "CABINET'S TOP PRIORITIES: REFORMS OF GOVERNMENT ADMINISTRATION, THE ECONOMIC STRUCTURE, FINANCIAL SYSTEM, SOCIAL WELFARE STRUCTURE, AND FISCAL STRUCTURE, ALL REFORMS THAT HAVE BEEN REVEALED DURING THE EXTRAORDINARY DIET AT THE END OF LAST YEAR, WITH THE EXCEPTION OF THE ADDED ONE, EDUCATION. AS A WHOLE, THE SPEECH IS DESIGNED TO ANNOUNCE THE PRIME MINISTER'S GOAL OF CREATING A "NEW SOCIO-ECONOMIC SYSTEM SUITABLE FOR THE 21ST CENTURY." THE PRIME MINISTER WILL ALSO REVEAL THE PLAN TO LET THE STRUCTURAL FISCAL REFORM COUNCIL (ZAISEI KOUZOU KAIKAKU KAIGI), A BODY THAT WILL BE LAUNCHED IN THE CABINET ON THE 21ST, DRAFT A FISCAL RECONSTRUCTION LAW BILL (TENTATIVE NAME) TO ANNOUNCE HIS ULTIMATE GOAL OF "ACCOMPLISHING A HEALTHY FISCAL CONDITION BY THE YEAR 2005."

THE PRIME MINISTER IS ALSO GOING TO REVEAL HIS DETERMINATION TO CONTINUE TO GRAPPLE WITH THE OKINAWA BASE PROBLEM IN TANDEM WITH THE SIX MAJOR REFORMS. HE WILL ALSO INDICATE HIS PLAN TO EXPEDITE THE WORK FOR A REVIEW OF THE GUIDELINES FOR JAPAN-U.S. DEFENSE COOPERATION. AS FOR JAPAN-CHINA RELATIONS THAT WILL MARK THE 25TH ANNIVERSARY OF THE NORMALIZATION OF DIPLOMATIC TIES, THE PRIME MINISTER WILL PLEDGE TO "SUPPORT CHINA'S REFORM AND OPEN-COUNTRY POLICY DIRECTION IN ORDER TO STRENGTHEN THE BILATERAL TIES."

ADDITIONALLY, AS FOR ADMINISTRATIVE REFORM, HE WILL SPELL OUT THE PLAN TO PRESENT TO THE DIET LEGISLATION LAUNCHING A FINANCIAL INSPECTION AND OVERSIGHT AGENCY (TENTATIVE NAME) AND TO DRAFT A BLUEPRINT WITHIN THIS YEAR FOR STREAMLINING CENTRAL GOVERNMENT AGENCIES, AS THE FIRST UNCLAS SECTION 02 OF 08 TOKYO 000402

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 17

STEP. HE WILL ALSO ANNOUNCE THE PLAN TO SUBMIT AN AMENDED FOREIGN EXCHANGE CONTROL LAW TO THE DIET AS A MEANS TO REVAMP THE FINANCIAL SYSTEM.

NFPQS OZAWA TO FACE OFF AGAINST ARCH-RIVAL HASHIMOTO IN INTERPELLATIONS (YOMIURI - PAGE 3)

THE SHINSHINTO (NEW FRONTIER PARTY) DECIDED YESTERDAY IN AN EXECUTIVE OFFICERS' MEETING TO HAVE PRESIDENT OZAWA TAKE THE DIET FLOOR (ON THE 22ND) AS PARTY REPRESENTATIVE TO QUESTION THE PRIME MINISTER ON HIS ADMINISTRATIVE POLICY SPEECH. THE PARTY REACHED THIS DECISION SINCE ITS BASIC PRINCIPLES WERE ACCEPTED BY ALL OF ITS DIETMEMBERS DURING A MEETING ON THE 14TH. SIMILAR TO LAST YEAR'S ORDINARY DIET SESSION, OZAWA WILL AGAIN CONFRONT HASHIMOTO.

OZAWA HAD PLANNED LAST YEAR TO TAKE THE FLOOR DURING THE EXTRAORDINARY DIET SESSION AND CONFRONT HASHIMOTO, BUT HE GAVE UP THE IDEA BECAUSE HE WAS UNABLE TO UNIFIED PARTY VIEWS ON FOREIGN POLICY AND SECURITY AFFAIRS. OZAWA THIS TIME DOES NOT INTEND TO FOLLOW THE CONVENTIONAL QUESTION-AND-ANSWER STYLE, BUT HE INSTEAD WILL DELIVER A "SHINSHINTO POLICY STATEMENT" (DIET POLICY COMMITTEE LEADER) AS "A REPRESENTATIVE SPEECH" (OZAWA).

MINSHUTO AND TAIYOTO MAY FORM UNIFIED GROUP IN THE DIET (ASAHI - PAGE 2)

DEPUTY REPRESENTATIVE KUNIO HATOYAMA OF THE MINSHUTO (DEMOCRATIC PARTY OF JAPAN), SECRETARY GENERAL EIJIRO HATA OF THE TAIYOTO (SUN PARTY) AND OTHERS HELD A MEETING IN TOKYO YESTERDAY. AS A RESULT, THE TWO REACHED AGREEMENT TO CEMENT AN ALLIANCE, WITH FORMING A NEW UNIFIED GROUP AS ONE OPTION. AFTER THE SESSION, HATA MET THE PRESS AND REVEALED THE PLAN THAT HAVING THE SHINSHINTO (NEW FRONTIER PARTY) AS A MEMBER OF A NEW

UNIFIED GROUP IS POSSIBLE. HIS COMMENT REVEALED DIFFERENT MOTIVES BETWEEN THE TAIYOTO, WHICH IS HOPING TO STRENGTHEN TIES AMONG THREE PARTIES INCLUDING THE SHINSHINTO, AND THE MINSHUTO, WHICH IS RELUCTANT ABOUT WORKING WITH THE SHINSHINTO.

IN THE SESSION, MINSHUTO'S DIET AFFAIRS CHIEF HIROTAKA AKAMATSU SUGGESTED TO GIVE THOUGHT TO LAUNCHING A UNIFIED GROUP. IN RESPONSE, HATA NOTED, "SUCH IS ONE OPTION IN THE FUTURE. WE WILL MAKE EFFORT TO ACCOMPLISH IT." THE TWO SIDES ALSO REACHED AGREEMENT TO HOLD REGULAR WEEKLY MEETING BETWEEN DEPUTY REPRESENTATIVE, SECRETARY GENERAL AND OTHER EXECUTIVE MEMBERS TO DISCUSS POLICY AND DIET MEASURES. HATA ADDED IN THE SESSION, "I HOPE WE CAN WORK TOGETHER AMONG THREE PARTIES INCLUDING THE SHINSHINTO (REGARDING POLICY MEASURES)."

AFTER THE MEETING, HATA TOLD THE PRESS ABOUT FORMING A UNIFIED GROUP: "OUR STANCE IS TO HEIGHTEN THE MOOD TO STRENGTHEN AN ALLIANCE WITH THE SHINSHINTO AND THE MINSHUTO AT THE SAME TIME."

CHIEF CABINET SECRETARY KAJIYAMA ANNOUNCES CAMP SCHWAB BEST SITE FOR ALTERNATE HELIPORT (MAINICHI - PAGE 1)

CHIEF CABINET SECRETARY SEIROKU KAJIYAMA, MINISTER OF STATE FOR OKINAWA AFFAIRS, MET THE PRESS ON JANUARY 16, AND TOUCHED ON THE ISSUE OF WHERE TO CONSTRUCT A SEA-BASED HELIPORT ALONG WITH THE TIMETABLED REVERSION OF THE U.S. FORCES' FUTENMA AIR STATION SITE. KAJIYAMA STATED, "ITS POSSIBLE LOCATION, NOW BEING CONSIDERED BETWEEN THE JAPANESE AND U.S. GOVERNMENTS, IS AN AREA IN THE WATERS OFF CAMP SCHWAB. ITS SCOPE IS SOMEWHAT WIDE, BUT THERE IS NO OTHER APPROPRIATE PLACE THAN THAT AREA." HE HAS THUS MADE IT CLEAR THAT THE OFFSHORE AREA OF CAMP SCHWAB IN NAGO CITY, OKINAWA PREFECTURE, WOULD BE OPTIMUM. THIS UNCLAS SECTION 03 OF 08 TOKYO 000402

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 17

IS THE FIRST TIME THAT A CABINET MINISTER HAS FORMALLY CLARIFIED A CANDIDATE SITE (FOR THE AIRFIELD'S HELIPORT FUNCTIONS). THE GOVERNMENT WILL MAKE A REQUEST NEXT WEEK AT THE EARLIEST TO THE LOCAL MUNICIPALITIES FOR ENTRY INTO A PRELIMINARY SURVEY THAT IS NECESSARY FOR SELECTING A CANDIDATE PLACE.

REGARDING A CANDIDATE CONSTRUCTION SITE, THE PRIME MINISTER'S ASSISTANT YUKIO OKAMOTO IN HIS JANUARY 14 SPEECH STATED POSITIVELY THAT "CAMP SCHWAB'S OFFSHORE AREA IS ONE OF THE OPTIMUM CANDIDATES." CHIEF CABINET SECRETARY KAJIYAMA ALSO CLARIFIED AT THE PRESS CONFERENCE THAT THE GOVERNMENT WAS NOT THINKING OF ANY OTHER LOCATION THAN A FORESHORE OF CAMP SCHWAB.

THE JAPANESE AND THE U.S. GOVERNMENTS HAVE NOW ALREADY AGREED IN EFFECT TO CONSTRUCT AN ALTERNATIVE HELIPORT IN AN OFFSHORE AREA OF CAMP SCHWAB. HOWEVER, THE LOCAL SIDE'S NEGATIVE REACTION WAS TAKEN INTO CONSIDERATION, AND THE FINAL REPORT ISSUED LAST DECEMBER BY THE JAPAN-U.S. SPECIAL ACTION COMMITTEE (ON FACILITIES AND AREAS IN OKINAWA) (SACO) DID NOT REFER TO ANY SPECIFIC LOCATION, GOING NO FURTHER THAN TO MENTION "AN AREA OFF THE EASTERN COAST OF THE MAIN ISLAND OF OKINAWA." PRIME MINISTER RYUTARO HASHIMOTO ALSO HAS SAID THAT THE GOVERNMENT "WILL NOT CARRY IT OUT WITHOUT CONSULTING WITH THE LOCAL SIDE." THE GOVERNMENT HAD BEEN PROBING A TIMING FOR ITS FORMAL CLARIFICATION OF A CANDIDATE SITE AND ITS START OF A SURVEY. (TATSUO NANAI (OR SHICHII?))

GOVERNMENT AIMS TO HAVE HELIPORT TRANSFER IMPLEMENTATION PLAN READIED LATER THIS YEAR (MAINICHI - PAGE 2)

ON THE PROBLEM OF CONSTRUCTING A SEA-BASED HELIPORT FACILITY ALONG WITH THE SCHEDULED REVERSION OF THE U.S. FORCES' FUTENMA AIR STATION SITE IN OKINAWA, CHIEF CABINET SECRETARY SEIROKU KAJIYAMA ON JANUARY 16 REFERRED TO "AN AREA IN THE WATERS OFF CAMP SCHWAB" AS A CANDIDATE SITE FOR CONSTRUCTION, AND HE HAS CLARIFIED THE GOVERNMENT'S INTENTION TO "MAKE A REQUEST (FOR A SURVEY) AT AN EARLY DATE." THIS IS BASED ON A JUDGMENT TO THE EFFECT THAT THE GOVERNMENT SHOULD WORK ON THE LOCAL MUNICIPALITIES AND START A PRELIMINARY SURVEY WITHIN THE CURRENT FISCAL YEAR.

THE GOVERNMENT WILL HOLD CONSULTATIONS INCLUDING PRIME MINISTER RYUTARO HASHIMOTO, AND IS EXPECTED TO MAKE A FORMAL REQUEST TO NAGO CITY AND OTHER LOCAL MUNICIPALITIES IN OKINAWA NEXT WEEK AT THE EARLIEST FOR SURVEY COOPERATION, AIMING AT THE SCHEDULE OF THE ORDINARY DIET SESSION TO BE CONVENED ON JANUARY 20.

HOWEVER, A NEGATIVE MOOD IS NOW AGAIN GROWING STRONG TOWARD THE IDEA OF RELOCATING THE AIRFIELD'S FUNCTIONS WITHIN THE PREFECTURE PRIOR TO THE PREFECTURAL EXPROPRIATION COMMISSION'S REVIEW (SCHEDULED TO START ON FEBRUARY 21) REGARDING THE GOVERNMENT'S CONTINUING ITS FORCIBLE USE OF LANDS CURRENTLY OFFERED TO U.S. MILITARY BASES. THE LOCAL MUNICIPALITIES AND ORGANIZATIONS CONCERNED ARE NOT IN A SITUATION TO ACCEPT THE PROPOSED RELOCATION EASILY.

THE JAPAN-U.S. SPECIAL ACTION COMMITTEE (ON FACILITIES AND AREAS IN OKINAWA) (SACO), IN ITS FINAL REPORT ISSUED

LAST DECEMBER, SPECIFIED THAT THE TWO GOVERNMENTS SHOULD CREATE A DETAILED IMPLEMENTATION PLAN BY DECEMBER THIS YEAR FOR THE CONSTRUCTION OF AN ALTERNATIVE HELIPORT. IN ORDER TO SET ABOUT A PRELIMINARY SURVEY AT AN EARLY DATE, THE GOVERNMENT HAS NOW EARMARKED 1.3 BILLION YEN IN ITS CURRENT YEAR SUPPLEMENTARY BUDGET AS AN ESTIMATED OUTLAY FOR THE SURVEY. AS FOR THE CONSTRUCTION OF A SEA-BASED HELIPORT, THERE HAVE BEEN NO ACTUAL RESULTS, SO THE GOVERNMENT EXPLAINS IT WILL TAKE SEVERAL MONTHS FOR ITS UNCLAS SECTION 04 OF 08 TOKYO 000402

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 17

FINAL JUDGMENT OF A CONSTRUCTION METHOD AFTER GOING THROUGH SUCH STEPS AS LOOKING INTO SUCH FACTORS AS THE SEABED GEOLOGICAL FEATURES OF A CANDIDATE AREA IN THE WATERS OFF CAMP SCHWAB AND POSSIBLE EFFECTS ON THE WAVE HEIGHT AND ECOSYSTEM OF THE AREA.

BASICALLY, THE GOVERNMENT HAS BEEN SAYING THAT IT "WILL NOT FORCIBLY CARRY IT OUT WITHOUT CONSULTING WITH THE LOCAL SIDE" (ACCORDING TO THE PRIME MINISTER), AND MAKES IT A TASK OF TOP PRIORITY TO OBTAIN THE LOCAL SIDE'S UNDERSTANDING FROM SUCH ENTITIES AS OKINAWA PREFECTURE, NAGO CITY, AND FISHERY COOPERATIVES CONCERNED. HOWEVER, THE OKINAWA PREFECTURAL GOVERNMENT HAS REFUSED TO SERVE AS INTERMEDIARY BETWEEN THE CENTRAL GOVERNMENT AND NAGO CITY'S MUNICIPAL OFFICE, AS GOVERNOR MASAHIDE OTA HAS SAID THAT THE PREFECTURAL GOVERNMENT "IS NOT THE PARTY CONCERNED." THEREFORE, THE GOVERNMENT HAS CONTINUED ITS INFORMAL COORDINATION OF VIEWS SINCE THE END OF LAST YEAR. THE CHIEF CABINET SECRETARY ALSO WENT ON, "I WONDER IF THE PREFECTURAL GOVERNMENT WILL BE ALLOWED TO GO ALONG WITH ITS STANCE OF HAVING NOTHING TO DO WITH THE MATTER FROM NOW ON AS WELL." THIS REMARK IMPLIES THE GOVERNMENT'S DESIRE TO INVOLVE THE PREFECTURAL GOVERNMENT IN THE PROCESS OF MAKING A REQUEST TO THE LOCAL MUNICIPALITIES FOR COOPERATION ON A PRELIMINARY SURVEY.

JAPAN SEEKING HELPFUL ROLE IN PERU STANDOFF AS CONCEPT OF GUARANTOR COMMITTEE SURFACES (MAINICHI - PAGE 2)

THE TUPAC AMARU REVOLUTIONARY MOVEMENT (MRTA), WHICH HAS STILL CAPTURED THE JAPANESE AMBASSADOR'S RESIDENCE IN PERU, HAS DECLARED IT WOULD ACCEPT IN PRINCIPLE THE IDEA OF ESTABLISHING A COMMISSION OF GUARANTORS. THE JAPANESE

GOVERNMENT IS NOW WELCOMING THEIR ACCEPTANCE, NOTING, "THIS IS SIGNIFICANT PROGRESS" (HIGH-RANKING FOREIGN MINISTRY OFFICIAL), ALTHOUGH THE GOVERNMENT STILL REMAINS CAUTIOUS IN DEALING WITH THE MATTER. ENVISAGING A CASE OF NEGOTIATIONS BETWEEN THE PERUVIAN GOVERNMENT AND THE MRTA BEING PUT BACK ON TRACK, THE JAPANESE GOVERNMENT, BY CONVEYING ITS VIEWS, IS MOVING TO GROPE FOR WAYS FOR JAPAN TO BE ACTIVELY INVOLVED IN BRINGING THE INCIDENT TO A SETTLEMENT.

PRIME MINISTER RYUTARO HASHIMOTO, ASKED YESTERDAY AFTERNOON AT THE PRIME MINISTER'S RESIDENTIAL OFFICE (KANTEI) BY THE PRESS CORPS ABOUT HIS OPINION REGARDING THE MRTA'S REPLY, INDICATED A CAUTIOUS POSITION, NOTING: "CERTAINLY IT IS SEEN AS A STEP FORWARD, BUT I THINK IT IS STILL IMPOSSIBLE TO PROMPTLY MAKE A JUDGMENT ON FUTURE DEVELOPMENTS." REGARDING THE MRTA'S PROPOSAL TO LET A EUROPEAN COUNTRY JOIN A COMMISSION OF GUARANTORS, THE PRIME MINISTER AVOIDED SHOWING AN OPTIMISTIC VIEW, STATING: "AT THIS POINT, I HAVE NO IDEA ABOUT WHICH COUNTRY IS BEING SPECIFIED AS A CERTAIN EUROPEAN COUNTRY."

IN THIS CONNECTION, A GOVERNMENT SOURCE ON THE SAME DAY STATED: "LIKENING THE CURRENT SITUATION TO A MOUNTAIN, THE GUARANTORS COMMISSION WILL BE VIEWED AS A BASE CAMP. THE PROCESS FOR A COMPLETE SETTLEMENT OF THE INCIDENT SEEMS TO BE THE SAME AS CLIMBING UP A PRECIPITOUS CLIFF." HE EMPHASIZED THAT IN HIS VIEW, MORE DIFFICULTIES WILL COME UP AFTER THE GUARANTORS COMMISSION IS ESTABLISHED.

YET IT IS CERTAINLY A LARGE HARVEST THAT DIRECT DIALOGUE IS LIKELY TO BE RESUMED AFTER A HIATUS OF ALMOST HALF A MONTH. LAST EVENING, A HIGH-LEVEL FOREIGN MINISTRY OFFICIAL UNDERScoreD THAT IF THE PROCESS OF ESTABLISHING A GUARANTORS COMMISSION AS A PLACE FOR NEGOTIATIONS GOES SMOOTHLY, "JAPAN'S ROLE WILL CHANGE." HE THEN GAVE A GLIMPSE OF TRYING TO ASSUME A FORWARD-LOOKING STANCE ABOUT VIEW EXCHANGES WITH THE PERUVIAN GOVERNMENT IN A SPECIFIC MANNER TO REACH AN AGREEMENT ON A SETTLEMENT
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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.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 17

PROPOSAL BY MODIFYING THE PREVIOUS STANDPOINT OF WATCHING RESPONSES THE PERUVIAN GOVERNMENT MAKES. (HIROSHI

KOMATSU)

PRIME MINISTER SHIFTS WEIGHT TO DOMESTIC AFFAIRS?

PRIME MINISTER RYUTARO HASHIMOTO, DESPITE THE HOSTAGES CRISIS IN PERU, MADE UP HIS MIND AT THE END OF LAST YEAR TO TRAVEL TO COUNTRIES OF THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN). SINCE THEN, HE HAS MADE MUCH CLEARER HIS STANDPOINT OF REGARDING THE INCIDENT AS "ONE OF THEM." AFTER RETURNING FROM HIS ASEAN TOUR, HE STOPPED APPEARING AT THE OPERATION ROOM OF THE FOREIGN MINISTRY. WHAT LIES BEHIND THIS CHANGE IN HIS STANCE IS PRESUMABLY HIS JUDGMENT THAT SINCE THERE IS A LIMIT TO "HIS PERFORMANCE OF LEADING HIS MEN FROM THE OTHER SIDE OF THE EARTH, THE WAY FOR HIM TO SHOW THE PRESTIGE OF HIS ADMINISTRATION AT HOME AND ABROAD IS RATHER TO ACHIEVE SATISFACTORY RESULTS IN DEALING WITH DOMESTIC AFFAIRS.

ONE REASON WHY PRIME MINISTER HASHIMOTO WAS EXCESSIVELY EAGER TO COPE WITH THE INCIDENT WAS SEEMINGLY FOR HIM TO TRY TO REMOVE THE DISGRACE THAT (JAPAN) HAS SUFFERED FOR THE PAST 20 YEARS SINCE THE HIJACK INCIDENT IN DACCA (IN 1977), IN WHICH CRIMINALS WERE RELEASED AT THE REQUEST OF THE EXTREMIST RED ARMY GROUP. BUT HIS EFFORT BACKFIRED. SAYING, "I HAVE NOTHING IN MY MIND EXCEPT FOR THAT, SO I CANNOT MAKE ANY COMMENT," (ON DECEMBER 21 LAST YEAR), HE AVOIDED MAKING A COMMENT ON THE NEXT FISCAL YEAR'S BUDGET. BECAUSE OF THAT, THE PRIME MINISTER WAS VIEWED AS UNENTHUSIASTIC ABOUT DOMESTIC REFORMS.

FOR NOW, DOMESTIC REFORMS WILL BE CARRIED OUT IN LINE WITH INTERNATIONAL TRENDS, SUCH AS BANKING LIBERALIZATION. THE DOMINANT VIEW IS DEEP-SEATED THAT THE PRIME MINISTER'S UNPREPARED RESPONSES IN A WAY HAVE CAUSED TRIPLE LAWS IN THE STOCK, BOND AND EXCHANGE MARKETS.

SINCE HIS ADMINISTRATION IS A MINORITY SINGLE-PARTY ADMINISTRATION, SOME HAVE BEEN APPREHENSIVE ABOUT WHETHER THE BUDGET BILL WILL BE APPROVED IN THE DIET. PRACTICALLY, IF HIS MIND STICKS TO THE INCIDENT, THERE IS EVEN A POSSIBILITY OF HIS ADMINISTRATION COLLAPSING. (IN PERU), A RAY OF HOPE FOR A PEACEFUL SETTLEMENT IS COMING INTO SIGHT. THAT LOCAL SITUATION ALSO HAS HELPED THE PRIME MINISTER GO BACK TO HIS DAILY DUTIES.
(TAKAO YAMADA)

KAJIYAMA SAYS GOVERNMENT STUDYING ESTABLISHMENT OF CRISIS MANAGEMENT SPECIALIST (YOMIURI - PAGE 2)

CHIEF CABINET SECRETARY SEIROKU KAJIYAMA ON THE 16TH, REFERRING TO THE HEAVY OIL SPILL ACCIDENT CAUSED BY RUSSIAN TANKER NAKHODKA, REMARKED: "I THINK IT WOULD BE GOOD TO HAVE SPECIALISTS (IN THE CABINET), WHO ARE RESPONSIBLE FOR SPECIALIZED RESEARCH AND FOR DRAFTING OPERATIONAL PLANS THAT WOULD BE ISSUED AS DIRECTIVES TO THE VARIOUS AGENCIES. I AM AWARE OF THE LACK OF COUNTERMEASURES RESEARCH IN OUR CRISIS MANAGEMENT

SYSTEM."

PREFACING THAT THIS WAS HIS PERSONAL VIEW, KAJIYAMA BRIEFED THE PRESS: "THE CABINET SECURITY AFFAIRS OFFICE IS IN CHARGE OF SUCH SECURITY ISSUES AS THE OUTBREAK OF DISPUTES OR WAR. CRISIS MANAGEMENT INCLUDES AVALANCHES OF EARTH AND ROCKS, EARTHQUAKES AND OIL SPILLS." SO SAYING, HE STRESSED THE NEED TO BRINGING IN EXPERTS ON CRISIS MANAGEMENT AND TO HAVE SUCH AN ORGANIZATION.

SHINSHINTO SETS UP OWN PANEL FOR OILSPILL EMERGENCIES
(YOMIURI - PAGE 2)

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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.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 17

THE SHINSHINTO (NEW FRONTIER PARTY) ON THE 16TH SET UP THE "SPECIAL COMMITTEE ON TANKER ACCIDENT" IN THE PARTY TO DEAL WITH THE HEAVY OIL SPILL ACCIDENT BY RUSSIAN TANKER "NAKHODKA." THE PARTY PICKED KAZUYA TAMAOKI, TRANSPORT AND TRAFFIC MINISTER OF THE "TOMORROW'S CABINET" TO SERVE AS CHAIRMAN OF THE COMMITTEE.

GOVERNMENT/RULING PARTIES PREPARE REVISED PROPOSALS REMOVING BAN ON HOLDING COMPANIES (YOMIURI - TOP PLAY)

THE DRAFT PLAN FOR LIFTING A BAN ON PURE HOLDING COMPANIES -- NOW UNDER STUDY BY THE GOVERNMENT AND RULING PARTIES -- WAS UNVEILED YESTERDAY. ACCORDING TO THE PLAN, THE PROPOSED LIFTING OF SUCH A BAN WILL FOCUS ON THREE AREAS, "FINANCIAL SERVICES," "BREAKING UP COMPANY DIVISIONS INTO SEPARATE ENTITIES" AND "VENTURE-CAPITAL FIRMS," AND ON THE ESTABLISHMENT OF HOLDING COMPANIES BY COMPANIES WHOSE ASSET IS BELOW A CERTAIN FIXED SIZE. IN ADDITION, THE BAN WILL BE LIFTED IN CASE THE FAIR TRADE COMMISSION REACHES A JUDGMENT THAT "REMOVAL OF THE BAN WILL INCUR NO EXCESSIVE CONCENTRATION OF BUSINESS CONTROL POWER." THE JUDGMENT IS THAT IN ORDER TO PROMOTE THE JAPANESE VERSION OF BIG BANG DEREGULATION PLAN (FINANCIAL STRUCTURAL REFORM) OR FOR JAPANESE COMPANIES TO ENGAGE IN GLOBAL-SCALE MEGA-COMPETITION, REMOVAL OF THE BAN ON HOLDING COMPANIES WOULD BE NECESSARY. THE OUTLOOK IS THAT AN AMENDMENT TO THE ANTI-MONOPOLY LAW (AML), WHICH INCLUDES REMOVAL OF THE BAN ON HOLDING COMPANIES, WILL BE SUBMITTED TO THE REGULAR DIET SESSION TO CONVENE ON THE

20TH.

THE GOVERNMENT AND RULING-PARTIES SPONSORED PLAN LEAVES A WAY FOR CORPORATION WHICH ARE BE CATEGORIZED INTO THE ABOVE-MENTIONED THREE AREAS AND WHOSE TOTAL ASSETS ALSO EXCEED THE CERTAIN FIXED LEVEL, TO ESTABLISH HOLDING COMPANIES. IN SUCH CASES, NOTIFICATIONS TO THE FTC WILL BE REQUIRED, AND THE FTC WILL CONDUCT INSPECTION. THIS POLICY LINE IS IN LINE WITH THE LIBERAL DEMOCRATIC PARTY (LDP) PLAN.

THE JUDGMENT CRITERION REGARDING INSPECTION BY THE FTC AS MENTIONED IN THE DRAFT PLAN IS THAT "THE PROPOSED ESTABLISHMENT OF A HOLDING COMPANY WILL NOT INCURE EXCESSIVE CONCENTRATION OF BUSINESS CONTROL." POLICY LINES TO BE MAPPED OUT BY THE FTC WILL BE ADOPTED AS STANDARDS FOR JUDGING WHETHER OR NOT "THERE IS EXCESSIVE CONCENTRATION OF BUSINESS CONTROL." AS INSPECTION STANDARDS, THE FOLLOWING YARDSTICKS HAVE BEEN PROPOSED: THE REAL SITUATION OF ALIGNED TRANSACTIONS IN THE SAME CORPORATE GROUP AND WHETHER THE TOTAL ASSETS OF A PLANNED HOLDING COMPANY EXCEED A CERTAIN FIXED AMOUNT, SAY, SEVERAL TRILLION YEN.

COORDINATION ON THE ISSUE OF LIFTING THE BAN ON HOLDING COMPANIES HAS BEEN STALEMATED WITH THE LDP CALLING FOR A PLAN THAT ALLOWS "REMOVAL OF THE BAN IN PRINCIPLE" AND REQUIRES NOTIFICATIONS TO THE FTC REGARDING SUCH ESTABLISHMENT BY COMPANIES WHOSE ASSETS EXCEED A CERTAIN FIXED SCALE, WHILE THE SOCIAL DEMOCRATIC PARTY (SDP) PRESENTING A PLAN THAT ADVOCATES A "BAN" ON HOLDING COMPANIES "IN PRINCIPLE" BUT ALLOWS SUCH ONLY BY COMPANIES WHOSE ASSETS FALL SHORT OF A CERTAIN FIXED LEVEL OR VENTURE-CAPITAL FIRMS. A CLASH OF VIEWS BETWEEN THE TWO PARTIES ALSO MAY TAKE PLACE DURING FINAL COORDINATION OVER THE DRAWING OF A DEMARCATION LINE REGARDING (THE AMOUNT OF) TOTAL ASSETS.

THE FTC ONCE LOOKED INTO A PLAN THAT ALLOWS ESTABLISHMENT OF HOLDING COMPANIES IN THE THREE AREAS -- "FINANCIAL SERVICES," "BREAKING UP COMPANY DIVISIONS INTO SEPRATE BUSINESS ENTITIES" AND "VENTURE-CAPITAL FIRMS," AND SUCH BY COMPANIES WHOSE ASSETS STAND BELOW A CERTAIN FIXED SCALE, BUT THAT WAS PUT OFF. REMOVAL OF THE BAN ON UNCLAS SECTION 07 OF 08 TOKYO 000402

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 17

HOLDING COMPANIES HAS AN ADVANTAGE OF ALLOWING COMPANIES TO TAKE DIVERSIFIED MANAGEMENT FORMS, ENHANCING THE FLEXIBILITY OF THEIR MANAGEMENT STRATEGIES.

FTC TO STRENGTHEN WATCHDOG ROLE OVER STANDARDS AND CERTIFICATION THAT MIGHT BAR NEW ENTRIES
(NIHON KEIZAI - PAGE 1)

THE FAIR TRADE COMMISSION (FTC) WILL BEEF UP ITS FUNCTION TO MONITOR THE STANDARDS AND CERTIFICATION SYSTEMS THAT ARE DESIGNED TO CHECK AND CERTIFICATE QUALITY BASED ON STANDARDS SET BY THE GOVERNMENT. UNDER THE CURRENT SITUATION, SOME SYSTEMS HAVE BEEN LEFT UNCLEAR OR THERE ARE CASES IN WHICH LICENSE HAS BEEN GIVEN ONLY TO SPECIFIC FIRMS OR ATTACHING THE SILVER MARK IS OBLIGATED, RESULTING IN BLOCKING NEW ENTRIES. KEEPING SUCH IN MIND, THE FTC WILL CONDUCT AN INVESTIGATION, WITH THE AIMING OF GENERATING FREE COMPETITION. IT WILL ALSO INCREASE THE NUMBER OF THOSE IN CHARGE OF INVESTIGATING THE SYSTEMS. WHEN THEY FIND SOME PROBLEMS, THE FTC WILL INSTRUCT SUPERVISORY GOVERNMENT AGENCIES FOR IMPROVEMENT AND WILL ALSO GIVE A WARNING TO INSPECTION BODIES FOR CORRECTING THE SITUATION. IT IS EXPECTED THAT THE FTC'S DRIVE FOR STRENGTHENING THAT FUNCTION WILL LEAD TO SCRAPPING UNNECESSARY STANDARDS AND TO A REVIEW OF PUBLIC CORPORATIONS THAT HAVE CONDUCTED MONOPOLISTIC INSPECTION.

THE FTC TAKES THE VIEW THAT AMONG THE APPROXIMATELY 150 STANDARDS AND CERTIFICATION SYSTEMS, SOME HAVE BEEN EXCLUSIVELY OPERATED, UNDERMINING COMPETITION. IT HAS ALSO NOTICED THAT SOME SYSTEMS ARE NOT OBJECTIVE OR THAT THERE ARE CASES IN WHICH ONLY SPECIFIC PUBLIC CORPORATIONS HAVE BEEN DESIGNATED AS INSPECTION ORGANIZATIONS AND HAVE GRANTED LICENSE TO LIMITED COMPANIES BY ARBITRARY INSPECTION.

BASED ON THE JUDGMENT THAT THE STANDARDS AND CERTIFICATE SYSTEM RELATED TO HOSPITAL MEALS AND BEDCLOTHES HINDERED COMPETITION, THE FTC TOOK PUNITIVE ACTION AGAINST RELATED INSPECTION BODIES. THE FTC WILL NOW START MONITORING WHETHER THE SILVER MARK BY SILVER SERVICE PROMOTION ASSOCIATION HAS NOT HAMPERED THE SALES OF WELFARE EQUIPMENT. IT WILL ALSO INCREASE EFFORTS TO MONITOR ELECTRIC AND GAS APPLIANCES, TELECOMMUNICATION PRODUCTS, TRANSPORTATION EQUIPMENT AND PHARMACEUTICALS.

IN CASE THE FTC JUDGES COMPETITION HAS BEEN BLOCKED AND IF THERE IS A PROBLEM IN A SYSTEM, IT WILL SEEK SURVEILLANCE GOVERNMENT AGENCIES TO REVISE OR ABOLISH THE SYSTEM. IF A PROBLEM IS FOUND IN OPERATING THE SYSTEM, IT WILL TAKE ADMINISTRATIVE PUNITIVE MEASURES, SUCH AS A WARNING ISSUED TO CORPORATIONS THAT EXCLUSIVELY ENJOYED PROFITS, IN ADDITION TO PUBLIC CORPORATIONS AND INDUSTRIAL ORGANIZATION THAT HAVE BEEN AUTHORIZED AS INSPECTION BODIES.

HOKKAIDO FARMERS BLAST URUGUAY ROUND COUNTERMEASURES AS
QPOK BARRELQ THAT QINCREASE DEBTQ
(NIHON KEIZAI - PAGE 5)

THE HOKKAIDO FARMERS FEDERATION (HOKKAIDO NOUMIN RENMEI)
(SAPPORO CITY), WHICH HAS A MEMBERSHIP (OF A GOOD 60,000
HOUSEHOLDS) REPRESENTING ABOUT 80 PERCENT OF HOKKAIDO
FARM HOUSEHOLDS, AS OF THE 16TH HAS FINALIZED A POLICY
LINE OF REJECTING NEW PROJECTS FOR AGRICULTURAL AND
FARMING VILLAGE CONSTRUCTION ASSOCIATED WITH THE URUGUAY
ROUND COUNTERMEASURES PACKAGE AND OTHER FUNDING SOURCES.
"THERE ARE MANY PROJECTS WHICH ARE USELESS TO THE
DEVELOPMENT OF AGRICULTURE AND FARMING VILLAGES; THEY
ONLY INCREASE THE DEBTS HELD BY FARMERS," STRESSED A
SPOKESMAN (SECRETARY KUNIO SHINODA). THESE PROJECTS HAVE
BEEN CRITICIZED AS "OVERPROTECTING THE FARMERS, IT WOULD
SEEM," AND HAVE BEEN STRONGLY OPPOSED BY THE FARMERS
UNCLAS SECTION 08 OF 08 TOKYO 000402

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 17

TARGETED (IN THE PROGRAMS), SO THE POSSIBILITY HAS
EMERGED THAT THE GOVERNMENT MAY BE PRESSED TO DRASTICALLY
REVIEW THEM.

THE HOKKAIDO FARMERS FEDERATION WILL FORMALLY ADOPT THIS
POLICY LINE AT ITS CONVENTION IN LATE JANUARY AND THEN
TRANSMIT IT TO THE MINISTRY OF AGRICULTURE AND HOKKAIDO
DEVELOPMENT AGENCY.

CONSTRUCTION PROJECTS SLATED FOR AGRICULTURE AND FARMING
VILLAGES TOTAL 1.2282 TRILLION YEN IN THE GOVERNMENT'S
DRAFT BUDGET FOR FISCAL 1997 AND 270 BILLION YEN IN THE
FISCAL 1996 SUPPLEMENTARY BUDGET PROPOSAL. THE PORTION
ALLOCATED TO HOKKAIDO IS REPORTEDLY APPROXIMATELY 200
BILLION YEN. THE PROJECTS ARE MAINLY SOIL IMPROVEMENT
AND IRRIGATION AND DRAINAGE CONSTRUCTION, IN WHICH THE
CENTRAL GOVERNMENT ASSUMES 50 TO 80 PERCENT OF THE
BURDEN, AND THE REST IS BORN BY THE PREFECTURE AS WELL AS
THE VILLAGE AND THE FARMERS.

ACCORDING TO THE HOKKAIDO FEDERATION, "THE BURDEN ON THE
FARMERS IS HEAVY. IF THEY WANT THE BUDGET TO BE ABSORBED,
THEN IT WOULD BE BETTER FOR THE CENTRAL GOVERNMENT TO
BEAR THE ENTIRE COST." THEIR TRUE FEELINGS ARE: "THEY
SHOULD STOP THESE USELESS PROJECTS AND SPEND THE MONEY ON

SUBSIDIZING THE INCOMES OF FARMERS."

IN RESPONSE, AGRICULTURAL VICE MINISTER MASAYUKI TAKAHASHI IN A PRESS MEETING ON THE 16TH SAID, "SOIL IMPROVEMENT PROJECTS RAISE THE VALUE-ADDED OF THE ASSETS OF INDIVIDUAL FARMERS; IT IS IMPOSSIBLE TO REMOVE THE SHARE BORN BY THE FARMER." HE FURTHER REBUTTED: "REQUESTS FOR AGRICULTURAL AND FARMING VILLAGE CONSTRUCTION FROM HOKKAIDO ROSE LAST YEAR 1.4 FOLD."

REGARDING AGRICULTURAL POLICY, KOCHI PREFECTURE GOVERNOR DAIJIRO HASHIMOTO HAS CRITICIZED THE GOVERNMENT'S RICE PRODUCTION ADJUSTMENT (REDUCED RICE ACREAGE PROGRAM), AND THE AGRICULTURAL MINISTRY HAS BEEN HARD PRESSED TO RESPOND TO THE SUCCESSION OF OBJECTIONS TO ITS PROGRAMS.
CRANE

SECT: SECTION: 01 OF 08

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DIST:

SIT: NSC

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CLASS: UNCLASSIFIED
LINE1: OAAUZYUW RUEHKO0458 0210425-UUUU--RHEHAAA.
LINE2: ZNR UUUUU ZZH
LINE3: O 210425Z JAN 97
LINE4: FM AMEMBASSY TOKYO
OSRI: RUEHKO
DTG: 210425Z JAN 97
ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 1687
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INFO: RHEHAAA/WHITE HOUSE WASHDC
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RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RUEKJCS/JOINT STAFF WASHDC//J5//
RUEKJCS/SECDEF WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 21
TEXT:

UNCLAS SECTION 01 OF 07 TOKYO 000458

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 21

TOP HEADLINES:

ASAHI: FEDERATION OF ELECTRIC POWER COMPANIES TO REQUEST
AS EARLY AS NEXT MONTH APPROVAL FOR PLUTHERMAL PLANS IN
NIIGATA, FUKUSHIMA, FUKUI PREFECTURES; 3 OR 4 PLANTS MAY
BE CONSTRUCTED BY THE YEAR 2000

NIHON KEIZAI: TO REMOVE RESTRICTIONS ON BUSINESS HOURS
UNDER LARGE-SCALE RETAIL STORE LAW; MITI WILL SET A FINAL
REVIEW PLAN WITHIN YEAR; SALES SPACE WILL BE ALSO EASED;

DISCLOSURE OF EXAMINATIONS ON OPENING STORES WILL BECOME COMPULSORY (TRANSLATION BELOW)

TOKYO SHIMBUN: 80 PERCENT OF PRESIDENTS COME FROM JAPAN HIGHWAY PUBLIC CORPORATION; 94 PRIVATE-SECTOR FIRMS WHICH HANDLE BUSINESS THAT IS ENTRUSTED BY PUBLIC CORPORATION "OCCUPIED" BY SUCH EX-OFFICIALS OF PUBLIC CORPORATION; 154 BILLION YEN ANNUALLY EXCLUSIVELY CONTRACTED WITH THOSE PRIVATE-SECTOR FIRMS (TRANSLATION BELOW)

MAINICHI: NARA MEDICAL UNIVERSITY PROFESSOR HAD TESTED NEW MEDICINE TOWARD SENILE PATIENTS AT SPECIAL NURSING-CARE HOME OPERATED BY HIS RELATIVE; TOWARD FOUR PATIENTS WHO HAD STAYED THERE UNDER NAME OF OUTPATIENTS

YOMIURI: "CONCEALED BORROWING" TOPS 45 TRILLION YEN; A 2-TRILLION-YEN INCREASE INCLUDING THAT OF FORMER JR; NO BRAKE APPLIED AT END OF FISCAL 1997; FINANCE MINISTRY'S OUTLOOK

SANKEI: EXTRA-MINISTERIAL ORGANIZATION OF CONSTRUCTION MINISTRY HAD FAILED TO REPORT ENTERTAINMENT COSTS FOR "GOVERNMENT OFFICIALS"; A TOTAL OF 150 MILLION YEN INVOLVING THREE CORPORATIONS NOT REPORTED; NATIONAL TAX ADMINISTRATORS POINT OUT

PRIME MINISTER'S DIET POLICY SPEECH LACKED PERSUASIVENESS; MORE CLEVER THAN PASSIONATE (ASAHI - PAGE 2)

IN A SPEECH, COMPOSED OF ABOUT 11,800 WORDS, TO THE OPENING OF THE DIET SESSION YESTERDAY, PRIME MINISTER RYUTARO HASHIMOTO INSERTED THE EXPRESSION "REFORM" 33 TIMES. SOME OBSERVERS QUIPPED, "HIS SPEECH WAS UNIMPRESSIVE, WITH TOO MUCH CRAMMED INTO IT." SOCIAL DEMOCRATIC PARTY HEAD TAKAKO DOI ALSO COMMENTED, "THE SPEECH LACKED FERVOR." HE HAD EXPRESSED "BURNING RESOLVE" FOR ADMINISTRATIVE REFORM, BUT THE EXPRESSION WAS NOT USED IN THE SPEECH. HIS DETERMINATION TO CURTAIL EXPENDITURES WAS SPECIFIED NOWHERE.

TIMETABLE FOR REFORM EFFORTS GIVEN IN POLICY SPEECH

(FISCAL YEAR 1996)

- SUBMIT BILLS RELATED TO A NURSING INSURANCE SYSTEM AND MEDICAL INSURANCE REFORM TO THE CURRENT DIET SESSION.
- DRAW UP AN ACTION PLAN ON A "PROGRAM FOR ECONOMIC STRUCTURAL REFORM AND CREATION" BY THIS SPRING.
- PRESENT A BILL DESIGNED TO FUNDAMENTALLY LIBERALIZE TRANS-BORDER FINANCIAL TRADE TO THE CURRENT DIET SESSION.
- REVISE THE GOVERNMENT'S DEREGULATION PROMOTION PLAN BY THE END OF MARCH.

(FY1997)

- LOOK INTO MEASURES TO REFORM AND CUT SPENDING AT THE FISCAL STRUCTURAL REFORM COUNCIL AND SUBMIT A FISCAL RECONSTRUCTION BILL TO THE DIET.
- WORK OUT MEASURES TO STREAMLINE CENTRAL GOVERNMENT

AGENCIES BY THE END OF NOVEMBER.

- SUBMIT A INFORMATION DISCLOSURE BILL TO THE DIET.

(FY1998)

- IMPLEMENT SPECIFIC MEASURES TO DISPOSE OF THE UNCLAS SECTION 02 OF 07 TOKYO 000458

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 21

OUTSTANDING DEBTS OF THE JAPANESE NATIONAL RAILWAYS.

- FORM A DECENTRALIZATION PROMOTION PROGRAM.

(FY2001)

- COMPLETE THE GOVERNMENT'S ECONOMIC STRUCTURAL REFORM STEPS. STEP UP SERVICES IN THE PHYSICAL DISTRIBUTION, ENERGY, AS WELL AS INFORMATION COMMUNICATIONS SECTORS TO GLOBAL LEVELS.

- FINISH THE FINANCIAL SYSTEM REFORM

(FY2005)

- REDUCE THE CENTRAL AND LOCAL GOVERNMENTS' FISCAL DEFICITS TO A LEVEL BELOW 3 PERCENT OF GROSS DOMESTIC PRODUCTION (GDP). LOWER THE LEVEL OF THE NATIONAL GENERAL ACCOUNT'S DEPENDENCE ON PUBLIC BONDS, WITHOUT DEPENDING ON DEFICIT-COVERING BONDS.

LDP TO RELY ON SDP TO BACK BUDGET PASSAGE BUT OPPOSITION GEARING UP FOR DIET BATTLE (MAINICHI - PAGE 2)

ON JANUARY 20, THE DAY REGULAR DIET STARTED, THREE OPPOSITION PARTIES -- SHINSHINTO (NEW FRONTIER PARTY), MINSHUTO (DEMOCRATIC PARTY OF JAPAN) AND TAIYOTO (SUN PARTY) -- HELD A SESSION TO DISCUSS WAYS TO DEEPEN ALLIANCE REGARDING THE FY1996 SUPPLEMENTARY BUDGET AND FY1997 BUDGET. AS FOR THE RULING CAMP, THE SAKIGAKE PARTY REVEALED ITS STANCE TO OPPOSE THE SUPPLEMENTARY BUDGET. SOCIAL DEMOCRATIC PARTY (SDP) CHAIRPERSON TAKAKO DOI IN ITS CAUCUS OF THE TWO HOUSES ON THE 20TH UNDERLINED ITS PEOPLE-ORIENTED POLICY DIRECTION THAT GIVES SPECIAL CONSIDERATION TO THE SOCIALLY WEAK IN HANDLING HEALTH INSURANCE AND NURSING CARE INSURANCE PROGRAMS. IT CAN BE SAID THAT FOR THE GOVERNMENT AND THE LIBERAL DEMOCRATIC PARTY (LDP), HOW TO KEEP THE SDP AND SAKIGAKE ON ITS SIDE IS THE GREATEST CHALLENGE IN ORDER TO PASS THE BUDGETS.
(KATSUYOSHI KIYOMIYA)

SHINSHINTO PRESIDENT ICHIRO OZAWA IN ITS CAUCUS CRITICIZED SHARPLY THE GOVERNMENT AND THE LDP, REMARKING, "THE HASHIMOTO CABINET HAS NOT YET COME UP WITH ANY EFFECTIVE MEANS TO DEAL WITH SERIOUS INTERNAL AND EXTERNAL SITUATIONS. THE LDP WOULD LOSE ITS ADMINISTRATIVE FOUNDATION IF IT CARRIES OUT STRUCTURAL REFORM. SO THEY CANNOT IMPLEMENT REFORM." MINSHUTO CO-LEADER NAOTO KAN, WHO ATTENDED A REGULAR DIET FOR THE FIRST TIME EVER SINCE THE PARTY WAS LAUNCHED, STRESSED THE NEED TO CARRY OUT REFORM: "OUR PARTY'S VALUE WILL BE TESTED IN THIS DIET. WE MUST DO OUR BEST TO REVAMP FUNDAMENTALLY (THE PRESENT SYSTEM AND THE STRUCTURE)." JAPAN COMMUNIST PARTY (JCP) CHAIRMAN TETSUZO FUWA IN ITS FULL SESSION NOTED, "THE CENTRAL THEME OF THIS DIET IS HOW TO BLOCK THE PLANNED CONSUMPTION TAX HIKE, DISCONTINUED TAX CUTS, AND MEDICAL INSURANCE SYSTEM REFORM THAT ARE DESIGNED TO INCREASE THE PEOPLE'S BURDEN BY 9 TRILLION YEN."

EARLIER IN THE DAY IN THE DIET, THE SHINSHINTO HELD A SESSION WITH THE TAIYOTO AND MINSHUTO, RESPECTIVELY, TO DISCUSS MEASURES FOR THE DIET. AS A RESULT, THEY REACHED AGREEMENT IN PRINCIPLE TO OPPOSE THE BUDGETS.

IN THE SESSION, A DIFFERENCE WAS EVIDENT IN THE STANCE OF THE TWO PARTIES, WITH THE SHINSHINTO SUGGESTING THE HANDLING OF THE SUPPLEMENTARY BUDGET AT THE OUTSET OF THE DIET, WHEREAS THE MINSHUTO CALLING FOR "THOROUGH DELIBERATIONS RATHER THAN WORRYING ABOUT THE TIMETABLE." IT IS STILL UNCERTAIN WHETHER OPPOSITION PARTIES CAN TAKE CONCERTED ACTION.

VARIOUS PARTIES' STANCE TOWARD BUDGETS

PARTY FY1996 FY1997 BUDGET ALLIANCE AND/OR
UNCLAS SECTION 03 OF 07 TOKYO 000458

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 21

SUPPLEMENTARY		CONSULATION	
BUDGET		PARTNERS	
LDP	APPROVAL	APPROVAL	SDP, SAKIGAKE
(WORKING			ON
MINSHUTO)			
SDP	UNDECIDED	UNDECIDED	LDP, SAKIGAKE,

MINSHUTOSAKIGAKE	DISAPPROVAL	APPROVAL	SDP, LDP,
MINSHUTOSHINSHINTO			
	DISAPPROVAL	DISAPPROVAL	TAIYOTO,
MINSHUTOMINSHUTO	DISAPPROVAL	DISAPPROVAL	
TAIYOTO,			
SHINSHINTO, SDP,			
SAKIGAKETAIYOTO	DISAPPROVAL	DISAPPROVAL	
MINSHUTO,			
SHINSHINTOJCP	DISAPPROVAL	DISAPPROVAL	- - -

MITI PLANS TO FURTHER LIBERALIZE LARGE STORE LAW
(NIHON KEIZAI - TOP PLAY)

THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) WILL EXTENSIVELY EASE RESTRICTIONS SET UNDER THE LARGE-SCALE RETAIL STORE LAW (DAITENHO). IT ALSO WILL REVIEW THE APPLICATION OF THAT LAW, BY SPELLING OUT THE MANDATORY DISCLOSURE OF THE DETAILS OF INSPECTIONS OF NEW STORE-OPENING APPLICATIONS. KEEPING IN MIND REQUESTS COMING BOTH FROM AT HOME AND ABROAD FOR LIBERALIZATION, MITI WILL LAUNCH ITS EFFORT BY FRONTLOADING THE CURRENT DEADLINE FOR SUCH A REVIEW SET FOR THE END OF MARCH 1998, AND FINALIZE THE PLAN BEFORE THE END OF 1997. MITI WILL PROMPTLY AMEND THE DAITENHO, AFTER COORDINATING WITH SMALL TO MEDIUM-SIZED INDUSTRIAL ASSOCIATION AND PROMOTING ECONOMIC STRUCTURAL REFORMS.

MANDATORY DISCLOSURE OF STORE-OPENING INSPECTION TO BE SPECIFIED

THE DAITENHO HAS BEEN EASED IN STAGES SINCE THE LAW WAS AMENDED IN 1992. AS A RESULT, THE OPENING OF STORES WITH SPACE OF BELOW 1,000 SQUARE METERS IS NOW FREE IN PRINCIPLE. AS FOR STORES WITH SPACE OF MORE THAN 1,000 SQUARE METERS, THERE STILL REMAINS RESTRICTIONS, UNDER WHICH THE DAITENHO COUNCIL (ADVISORY COUNCIL TO THE MITI MINISTER) RECOMMENDS APPLICANTS TO TRIM THE AREA OF THE STORES APPLIED FOR. IN ADDITION, NOTIFICATIONS ARE REQUIRED, DEPENDING ON THE NUMBER OF STORE-CLOSING DAYS AND TIME.

THE FEDERATION OF ECONOMIC ORGANIZATIONS (KEIDANREN), EUROPE AND THE UNITED STATES HAVE CALLED FOR A PHASED-STEP ABOLITION OF THE DAITENHO, CITING, "IT IS BLOCKING FREE MARKET-ENTRY." HOWEVER, JUDGING, "THERE IS CONCERN THAT IF THE DAITENHO ITSELF IS SCRAPPED, LOCAL GOVERNMENTS MIGHT TOUGHEN STORE-OPENING RESTRICTIONS" (MITI INDUSTRIAL POLICY BUREAU), MITI HAS DECIDED TO LEAVE SOME RESTRICTIONS UNDER THE DAITENHO INTACT AS EXCEPTIONS.

AS A MEASURE TO BE TAKEN IMMEDIATELY, MITI INTENDS TO SCRAP REGULATIONS THAT OBLIGATE NOTIFICATIONS IN CASE STORES ARE OPERATED AFTER 8:00 P.M., TOO, AND WHEN THE ANNUAL NUMBER OF STORE HOLIDAYS IS LESS THAN 24 DAYS. IT IS ALSO LOOKING INTO THE POSSIBILITY OF RAISING THE UPPER LIMIT OF THE SPACE OF STORES --CURRENTLY SET FOR BELOW 1,000 SQUARE METERS -- THAT CAN BE OPENED FREELY IN

PRINCIPLE WITH A NOTIFICATION ALONE.

THE DAITENHO COUNCIL, WHICH IS EMPOWERED TO MAKE A DECISION ON THE PROPRIETY OR THE NON-PROPRIETY OF NEW STORE APPLICATIONS, HAS ISSUED RECOMMENDATIONS THAT ASKED FOR A REDUCTION OF STORE SPACE OR A DELAY IN THE TIME OF OPENINGS, CITING NEW STORE OPENINGS WILL PUT PRESSURE ON THE MANAGEMENT OF THE EXISTING MEDIUM TO SMALL-SIZED LOCAL STORES AND GIVE RISE TO EXCESSIVE COMPETITION. UNCLAS SECTION 04 OF 07 TOKYO 000458

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 21

HOWEVER, IN RESPONSE TO A STRONG CRITICISM THAT "ITS RECOMMENDATION STANDARDS ARE VAGUE," MITI WILL AIM AT THE TRANSPARENT APPLICATION OF THE DAITENHO, BY CLARIFYING SUCH STANDARDS. IT INTENDS TO OBLIGATE THE DAITENHO COUNCIL TO SPECIFICALLY MENTION GROUNDS FOR ITS DECISIONS.

CASES ARE APPEARING WHERE VARIOUS PREFECTURES ARE RESTRICTING NEW OPENING OF EVEN MEDIUM-SIZED STORES, WHICH ARE NOT SUBJECT TO THE DAITENHO, BY SETTING UP REGULATIONS INDEPENDENTLY. AS IT STANDS, MITI WILL CONSIDER THE POSSIBILITY OF SPECIFICALLY MENTIONING THAT LOCAL GOVERNMENTS SHOULD REFRAIN FROM ENACTING AND APPLYING THEIR OWN REGULATIONS THAT ARE CONTRARY TO THE TREND FOR THE EASING OF THE DAITENHO.

THE WORK OF REVIEWING THE DAITENHO THIS TIME IS IN RESPONSE TO A CALL FOR STARTING SUCH PREPARATIONS MADE IN THE GOVERNMENT SPONSORED ECONOMIC STRUCTURAL REFORM PLAN. THE LIKELIHOOD IS THAT AS A RESULT OF THE PLANNED DEREGULATION, MORE LARGE-SCALE STORES WILL STAY OPEN AROUND THE CLOCK OR THROUGHOUT THE YEAR. FIERCE COMPETITION WITH CONVENIENCE STORES IS ALSO LIKELY TO OCCUR. A REVIEW OF THE DAITENHO ALSO WILL BECOME THE OPPORTUNITY TO PROMPT THE RESTRUCTURING OF THE DISTRIBUTION INDUSTRY, TRANSCENDING THE FRAMEWORKS OF BUSINESS TYPES.

FINANCE MINISTRY CONSIDERING ALLOWING LIFE INSURERS TO FORM HOLDING COMPANIES (MAINICHI - PAGE 9)

THE MINISTRY OF FINANCE (MOF) HAS DECIDED TO APPLY A HOLDING-COMPANY SYSTEM ALSO TO MUTUAL LIFE*INSURANCE

COMPANIES. IT WILL TAKE THIS POLICY DECISION INTO A MEETING TODAY OF THE BASIC PROBLEM SUBCOMMITTEE UNDER THE INSURANCE ADVISORY COUNCIL FOR DELIBERATIONS ON LEGAL PREPARATIONS.

THE FAIR TRADE COMMISSION (FTC) IS READY TO SUBMIT A BILL AMENDING TO THE ANTI-MONOPOLY LAW TO THE CURRENT DIET SESSION TO LIFT THE BAN ON HOLDING COMPANIES, BUT THE FTC'S LIST DOES NOT INCLUDE MUTUAL COMPANIES. SINCE MOST LIFE INSURANCE COMPANIES ASSUME A MUTUAL CORPORATION FORM, THE MOF HAS JUDGED IT NECESSARY TO STUDY THE POSSIBILITY TO INTRODUCE THE HOLDING-COMPANY SYSTEM AMONG LIFE INSURERS AS PART OF THE JAPANESE-VERSION BIG BANG DEREGULATION STEPS. THE ADVISORY COUNCIL WILL COMPILE A DEREGULATION PACKAGE FOR THE INSURANCE SECTOR BY JUNE, BUT IT MAY COME UP WITH A CONCLUSION ON THE HOLDING-COMPANY ISSUE BY THE END OF THIS FISCAL YEAR.

LIFE INSURERS HAVE EARNESTLY CALLED FOR INTRODUCTION OF THE HOLDING COMPANY SYSTEM. BUT GIVEN MUTUAL COMPANIES' NATURE OF FORMING A SORT OF RECIPROCITY BY POLICYHOLDERS AS "COMPANY MEMBERS," SOME ANALYSTS HAVE SUGGESTED "IT WOULD BE LEGALLY DIFFICULT (FOR LIFE INSURANCE COMPANIES) TO ESTABLISH HOLDING COMPANIES IN THE SAME WAY AS STOCK COMPANIES."

IN THE UNITED STATES, A COMPANY LAST YEAR ADOPTED A MANAGEMENT STYLE OF PLACING A STOCK FIRM ENGAGING IN INSURANCE BUSINESS UNDER A MUTUAL HOLDING COMPANY ESTABLISHED BY DIVIDING SUBSCRIBERS' RIGHTS. BUT IN CASE A LIFE INSURER ESTABLISHES A SUBSIDIARY THAT IS A DIFFERENT TYPE OF BUSINESS AND IF THE SUBSIDIARY HAS PAPER LOSSES, THE LOSSES MIGHT AFFECT POLICYHOLDERS. AS IT STANDS, (IN LIFTING THE BAN ON HOLDING COMPANIES FOR LIFE INSURERS,) IT IS NECESSARY TO WORK OUT SOME MEASURE TO PREVENT A RISK FROM AFFECTING POLICYHOLDERS.

NATIONQS MONEY-GUZZLING HIGHWAY SYSTEM DOMINATED BY AMAKUDARI OFFICIALS (TOKYO SHIMBUN - TOP PLAY)

UNCLAS SECTION 05 OF 07 TOKYO 000458

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 21

IT WAS LEARNED YESTERDAY THROUGH A SURVEY BY THE TOKYO SHIMBUN THAT OF THE 94 PRIVATE FIRMS TO WHICH THE JAPAN

HIGHWAY PUBLIC CORPORATION (HEADED BY MICHIO SUZUKI) HAS ENTRUSTED BUSINESSES FOR MAINTENANCE OF THE NATION-WIDE HIGHWAY ROAD WEBS, 77 OR MORE THAN 80 PERCENT HAVE PRESIDENTS AS FORMER OFFICIALS OF THE PUBLIC CORPORATION. EVEN IN THE REMAINING 17 FIRMS WHOSE PRESIDENTS DO NOT HAIL FROM THE PUBLIC CORPORATION, FORMER OFFICIALS HAVE PARTICIPATED AS AN EXECUTIVE IN THE MANAGEMENT. TOWARD SUCH PRIVATE FIRMS, THE PUBLIC CORPORATION SIDE HAS PAID A TOTAL OF 150 MILLION YEN ANNUALLY AS CONSIGNMENT MONEY. WHAT HAS BEEN MADE CLEAR THROUGH THE SURVEY IS THE FOLLOWING PICTURE: THE PUBLIC CORPORATION, FACED WITH A HUGE AMOUNT OF DEBT EXCEEDING 22 TRILLION YEN, IS NOW ASSUMING AN ASPECT OF BECOMING A SECOND JAPAN NATIONAL RAILWAY (JNR), BUT "FIRMS FOR FORMER PUBLIC CORPORATION OFFICIALS' AMAKUDARI (PARACHUTING FROM THE PUBLIC CORPORATION) HAVE GAINED PROFITS FROM CONSIGNMENT CONTRACTS CONCLUDED EXCLUSIVELY WITH SUCH FIRMS.

(ADMINISTRATIVE REFORM PROJECT TEAM)

THERE ARE FOUR TYPES OF BUSINESSES FOR MAINTENANCE OF HIGHWAYS ENTRUSTED BY THE JAPAN HIGHWAY PUBLIC CORPORATION TO PRIVATE FIRMS OUTSIDE. THEY ARE: "COLLECTING TOLLS" AT 60 INTERCHANGES THROUGHOUT THE COUNTRY; "TRAFFIC CONTROL" BY PATROLLING HIGHWAYS; "INSPECTION AND MAINTENANCE" REGARDING LIGHTING AND FIRE-FIGHTING EQUIPMENT; AND "MAINTENANCE AND REPAIR" TO CLEAN HIGHWAYS AND CARRY OUT QUICK REPAIRS. THE PUBLIC CORPORATION SIDE'S ANNUAL MANAGEMENT COST TOTALS 443 BILLION YEN, INCLUDING PERSONNEL EXPENSES. OF THAT AMOUNT, ABOUT ONE-THIRD OR 154 BILLION YEN HAS BEEN PAID AS THE CONSIGNMENT EXPENSES TO OUTSIDE FIRMS.

TO LOOK AT CONSIGNED FIRMS BY BUSINESS TYPE AND THEIR CONSIGNED MONEY, THERE ARE 37 FIRMS FOR COLLECTION OF TOLLS WITH 68 BILLION YEN AS CONSIGNED MONEY; FIVE FIRMS FOR TRAFFIC CONTROL WITH 16 BILLION YEN AS CONSIGNED MONEY; 13 FIRMS FOR CHECK AND MANAGEMENT WITH 20 BILLION YEN AS CONSIGNED MONEY AND 39 FOR REPAIR AND MAINTENANCE WORK WITH 50 BILLION YEN AS CONSIGNED MONEY.

OF THEM ALL, 32 FIRMS ENTRUSTED WITH TOLL COLLECTIONS, FIVE FIRMS HANDLING TRAFFIC CONTROL, 12 CHECK AND MAINTENANCE FIRMS, AND 28 REPAIR FIRMS HAVE AS PRESIDENTS FORMER OFFICIALS OF THE PUBLIC CORPORATION. AMONG SUCH PRESIDENTS, SOME, LIKE MIGRATORY BIRDS, AT FIRST GAINED A POSITION AT THE PUBLIC CORPORATION AFTER THEIR RETIREMENT FROM THE MINISTRY OF CONSTRUCTION (MOC) BUT MOVED INTO PUBLIC CORPORATION'S CONTRACTED FIRMS.

IT IS INCORRECT TO THINK THAT SUCH FIRMS OFFER ONLY MANAGERIAL POSITIONS TO FORMER OFFICIALS OF THE PUBLIC CORPORATION. IN REALITY, 94 FIRMS ACCEPTED FORMER MID-RANKING OFFICIALS OF THE PUBLIC CORPORATION, THE NUMBER OF WHOM TOPPED 1,300 PERSONS INCLUDING THOSE WHO SOUGHT THEIR REEMPLOYMENT. THEY HAVE BEEN DEEPLY CONNECTED WITH THE PUBLIC CORPORATION.

A TOTAL OF 55 FIRMS THAT ARE ENTRUSTED WITH COLLECTION OF TOLLS, TRAFFIC CONTROL AND CHECK AND MAINTENANCE HAVE CONCLUDED AN OPTIONAL CONTRACT WITH NO COMPETITIVE BIDDING WITH THE PUBLIC CORPORATION SIDE. OF THEM, 52 ARE COMPANIES FINANCED BY THE "ROAD FACILITY ASSOCIATION" (DORO SHISETSU KYOKAI), A FOUNDATION THAT WORKS IN CLOSER COOPERATION WITH THE PUBLIC CORPORATION. IN SHORT, RELEVANT FIRMS HAVE VIRTUALLY MONOPOLIZED BUSINESSES.

FOREIGN MINISTER IKEDA PLANS TO VISIT U.S. IN EARLY FEBRUARY TO MEET NEW SECRETARY OF STATE
(TOKYO SHIMBUN - PAGE 2)

UNCLAS SECTION 06 OF 07 TOKYO 000458

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 21

FOLLOWING THE INAUGURATION OF THE SECOND CLINTON ADMINISTRATION, FOREIGN MINISTER YUKIHIKO IKEDA YESTERDAY FIRMED UP HIS INTENTION TO VISIT THE UNITED STATES EARLY FEBRUARY. THE PURPOSE OF HIS TRAVEL IS TO DISCUSS THE GOOD TIMING FOR PRIME MINISTER RYUTARO HASHIMOTO TO MAKE A TRIP TO WASHINGTON AND OTHER ISSUES. STRESSING THE FACT THAT MOST MEMBERS OF THE SECOND CLINTON GOVERNMENT HAVE BEEN NEWLY APPOINTED, THE MINISTRY OF FOREIGN AFFAIRS (MOFA) INTENDS TO SEEK THE APPROVAL OF THE RULING AND OPPOSITIONS PARTIES FOR IKEDA'S U.S. VISIT.

THE FOREIGN MINISTER PLANS TO VISIT THE U.S. FOR A COUPLE DAYS FROM THE WEEKEND OF THE SECOND WEEK OF FEBRUARY (THE 8TH) UNTIL THE 11TH, NATIONAL FOUNDATION DAY. IN ADDITION TO PAYING A COURTESY CALL ON PRESIDENT CLINTON, HE WILL LIKELY HOLD TALKS WITH SUCH U.S. GOVERNMENT HIGH OFFICIALS AS SECRETARY OF STATE ALBRIGHT AND SECRETARY OF DEFENSE COHEN.

HIGHLIGHTS WILL BE ON HIS TALKS WITH SECRETARY ALBRIGHT AND SECRETARY COHEN. THIS IS BECAUSE THE TWO GOVERNMENTS HAVE BEEN URGED TO RESOLVE SUCH PRESSING ISSUES THIS YEAR AS A REVIEW OF THE GUIDELINES OF JAPAN-U.S. DEFENSE COOPERATION AND FINDING AN ALTERNATIVE HELIPORT FOR THE ONE AT THE FUTENMA AIR STATION. SO IKEDA IS EXPECTED TO REAFFIRM CLOSE BILATERAL COOPERATION TO BRINGING MATTERS TO A CLOSE.

IKEDA WILL DISCUSS WITH SECRETARY ALBRIGHT THE TIMING FOR

PRIME MINISTER'S U.S. VISIT, WHICH IS AN IMPORTANT DIPLOMATIC ISSUE. HE WILL ALSO EXCHANGE VIEWS ON RESPONSES TO THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA) AS WELL AS TO CHINA, AND MEASURES TOWARD TERRORISM.

REGARDING THE FOREIGN MINISTER'S PLAN TO GO TO THE U.S. DURING THE DELIBERATIONS OF THE BUDGET COMMITTEE IN THE LOWER HOUSE, VICE FOREIGN MINISTER SADAYUKI HAYASHI IN A PRESS BRIEFING REMARKED, "BUILDING TRUST RELATIONS WITH THE NEW U.S. GOVERNMENT OFFICIALS IS IMPORTANT FOR THE FOREIGN MINISTER."

GOVERNMENT TO ASK NAGO CITY TODAY TO ALLOW HELIPORT SITE CONSTRUCTION SURVEY (SANKEI - PAGE 2)

IN CONNECTION WITH CONDUCTING A PRELIMINARY SURVEY TO DETERMINE A CANDIDATE SITE FOR A SEA-BASED HELIPORT TO BE CONSTRUCTED FOR THE U.S. FORCES' FUTENMA AIR STATION IN OKINAWA, THE GOVERNMENT DECIDED ON JANUARY 20 TO MAKE A FORMAL REQUEST ON JANUARY 21 AT THE EARLIEST TO NAGO CITY WHERE THE U.S. FORCES' CAMP SCHWAB, A LIKELY CANDIDATE SITE, IS LOCATED. ON THE 20TH, DEFENSE FACILITIES ADMINISTRATION AGENCY DIRECTOR GENERAL MASUO MORODOMI AND OTHER OFFICIALS REPORTED THIS DECISION TO PRIME MINISTER RYUTARO HASHIMOTO AND OBTAINED HIS APPROVAL.

THE REQUEST WILL BE MADE ON THE 21ST BY THE DFAA'S NAHA REGIONAL DEFENSE FACILITIES ADMINISTRATION BUREAU DIRECTOR GENERAL TAKEHIKO SHIMAGUCHI TO NAGO CITY'S MAYOR TETSUYA HIGA, AND AFTER THAT THE DIRECTOR GENERAL IS EXPECTED TO EXPLAIN THE DFAA'S REQUEST TO OKINAWA PREFECTURE. THE SURVEY IS POSITIONED AS A PRELIMINARY STUDY FOR THE PURPOSE OF DESIGNATING A CANDIDATE SITE, AND WILL BE CONDUCTED FOR SEVERAL MONTHS ON SUCH MATTERS AS THE WAVE HEIGHT, GEOLOGICAL FEATURES, OCEAN CURRENT, AND WEATHER CONDITIONS.

AS FOR WHERE TO CONSTRUCT A SEA-BASED HELIPORT, THE GOVERNMENT HAS BEEN REGARDING AN AREA IN THE WATERS OFF CAMP SCHWAB AS A "LIKELY CANDIDATE" (ACCORDING TO CHIEF CABINET SECRETARY SEIROKU KAJIYAMA). HOWEVER, NAGO CITY, WHERE THE CANDIDATE SITE IS LOCATED, IS OPPOSED TO THE PLANNED CONSTRUCTION OF SUCH A FACILITY IN THAT OFFSHORE UNCLAS SECTION 07 OF 07 TOKYO 000458

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 21

AREA. ACCORDINGLY, IT SEEMS THAT THERE WILL BE TURNS AND TWISTS BEFORE THE REQUEST IS ACCEPTED.

BUT NAGO HAS ALREADY DECIDED TO SAY NO TO REQUEST FOR HELIPORT CONSTRUCTION SURVEY (YOMIURI - PAGE 3)

NOW THAT AN AREA IN THE WATERS OFF THE U.S. FORCES' CAMP SCHUB IS ON THE LIST OF CANDIDATES FOR THE PLANNED CONSTRUCTION OF AN ALTERNATIVE HELIPORT ALONG WITH THE PROPOSED REVERSION OF THE U.S. FORCES' FUTENMA AIR STATION SITE, THE DEFENSE FACILITIES ADMINISTRATION AGENCY WILL MAKE A REQUEST TO OKINAWA PREFECTURE'S NAGO CITY, WHERE THE BASE IS LOCATED, ON JANUARY 21 FOR (COOPERATION ON) A PRELIMINARY SURVEY. HOWEVER, THE CITY'S DEPUTY MAYOR, TAKEO KIHIMOTO, STATED ON JANUARY 20 THAT THE CITY'S THREE TOP EXECUTIVE OFFICIALS HAVE DECIDED AT THEIR MEETING ON A COURSE OF ACTION TO THE EFFECT THAT THE CITY "CANNOT ACCEPT THE PROPOSED SURVEY AT PRESENT."

FOREIGN MINISTRY SAYS NO U.S. FORCES DRAWDOWN BEING CONSIDERED FOR JAPAN (SANKEI - PAGE 1, JAN. 18 EDITION)

THE MINISTRY OF FOREIGN AFFAIRS REVEALED ON JANUARY 17 THAT U.S. DEPUTY SECRETARY OF DEFENSE WHITE HAD RECENTLY SENT A LETTER TO MOFA'S ADMINISTRATIVE VICE MINISTER SADAYUKI HAYASHI WHICH TRANSMITTED THE U.S.'S DECISION NOT TO CONSIDER REDUCING THE TROOP STRENGTH OF THE U.S. FORCES IN JAPAN, INCLUDING THE MARINES, IN ITS ONGOING QUARTERLY DEFENSE REVIEW (QDR).

ACCORDING TO THE EXPLANATION IN THE LETTER, THE QDR WAS NOT INTENDED TO CHANGE THE BASIC POLICY REGARDING THE U.S. MILITARY'S FORWARD DEPLOYMENT OF TROOPS IN EAST ASIA, BUT WAS PREMISED ON MAINTAINING THE CURRENT DEPLOYMENT OF 100,000 TROOPS, INCLUDING THOSE IN JAPAN. THE REPORT ALSO SAYS THAT THE PLANNED CONSTRUCTION OF AN ALTERNATIVE HELIPORT ALONG WITH THE SCHEDULED REVERSION OF FUTENMA AIR STATION WOULD NOT BE AFFECTED BY THE QDR, EITHER.

SINCE SOME IN JAPAN AND THE U.S. NOW TAKE THE VIEW THAT THE U.S. GOVERNMENT MAY ANNOUNCE A DECISION TO PARTIALLY REDUCE THE USFJ, INCLUDING THE MARINES, AFTER ITS QDR WORK, THE LETTER FROM DEPUTY SECRETARY WHITE CAN BE TAKEN AS THE U.S. GOVERNMENT'S DENIAL OF SUCH A POSSIBILITY.

THE QDR'S PURPOSE IS TO MAKE A QUARTERLY FOLLOW-UP OF THE U.S. DEFENSE STRATEGY SINCE 1993, BASICALLY INTENDED TO COPE WITH TWO LARGE-SCALE REGIONAL CONFLICTS THAT COULD OCCUR ALMOST CONCURRENTLY. THE ONGOING WORK IS THE FIRST ONE. CRANE

SECT: SECTION: 01 OF 07

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LINE2: ZNR UUUUU ZZH
LINE3: O 220424Z JAN 97
LINE4: FM AMEMBASSY TOKYO
OSRI: RUEHKO
DTG: 220424Z JAN 97
ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 1736
RUEHIA/USIA WASHDC IMMEDIATE 2832
INFO: RUEHRC/USDA FAS WASHDC 2942
RUEBBEA/USDOT WASHDC
RHEHAAA/WHITE HOUSE WASHDC
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RUALSFJ/COMUSJAPAN YOKOTA AB JA
RUEAWJB/USDOJ WASHDC
RUEKJCS/SECDEF WASHDC
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RUEKJCS/JOINT STAFF WASHDC//J5//
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 22

TEXT:
UNCLAS SECTION 01 OF 07 TOKYO 000499

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 22

TOP HEADLINES:

ASAHI: TRANSPORT MINISTRY TO ESTABLISH THE SUPERVISING
POSITION TO CHECK FOREIGN VESSELS; IN EFFORT TO PREVENT
SPILL OF HEAVY OIL; MAY PLACE A BAN ON DEPARTURE OF
"DANGEROUS SHIPS"

NIHON KEIZAI: ELECTRIC POWER GENERATION PROJECT IN ASIA;
MARUBENI, MAJOR U.S. ELECTRIC POWER COMPANY NOW EYEING

GROWING MARKET; TO INVEST 2 BILLION DOLLARS FOR CONSTRUCTION OF 50 FACILITIES

TOKYO SHIMBUN: SECRETARY KIM JONG IL WILL TAKE OVER AUTHORITY; WILL BECOME PRESIDENT IN SEPTEMBER AND GENERAL SECRETARY IN OCTOBER; NORTH KOREA ENGAGES IN PREPARATORY WORK (TRANSLATION BELOW)

MAINICHI: SUSPECT IZUI HAD PAID "REMUNERATION TO FORMER TOP LEADER OF KANSAI AIRPORT CO."; DUE TO ASSISTANCE IN SELECTION OF FIRMS; PERSONS CONCERNED ALL QUESTIONED BY TOKYO DISTRICT PUBLIC PROSECUTORS OFFICE; CASH EQUIVALENT TO 2 MILLION YEN HAD BEEN GIVEN

YOMIURI: BILL FOR "FISCAL RECONSTRUCTION" WILL BE DRAWN UP IN JUNE; AGREEMENT REACHED AT FIRST SESSION OF STRUCTURAL REFORM CONFERENCE; PRIME MINISTER EMPHASIZES EXPENDITURES CUTS, NOTING THERE IS NO SANCTUARY (TRANSLATION BELOW)

SANKEI: REVIEW OF HISTORY EDUCATION: EDUCATION MINISTER PROMISES TO PROFESSOR FUJIOKA AND OTHERS, "WILL DELIBERATE ON IT AT CURRICULUM PANEL; REFUSES DELETION OF "MILITARY COMFORT WOMEN"

PUBLIC SUPPORT FOR HASHIMOTO CABINET DOWN TO 51.8 PERCENT (YOMIURI - PAGE 1)

WITH UNCERTAINTIES OVER THE ECONOMY LOOMING LARGE DUE TO STOCK PRICES CONTINUING TO DECLINE FROM JUST AFTER THE NEW YEAR, THE PUBLIC APPROVAL RATING OF THE HASHIMOTO CABINET ALSO HAS DROPPED, ACCORDING TO A NATIONWIDE OPINION POLL CONDUCTED ON THE 18TH AND 19TH BY THE YOMIURI SHIMBUN. THE APPROVAL RATING WAS 51.8 PERCENT. THIS FIGURE IS CONSIDERED TO BE RATHER HIGH BUT WAS DOWN 4.7 POINT FROM THE PREVIOUS SURVEY. THOSE WHO DID NOT SUPPORT THE CABINET ROSE 5.2 POINTS TO 36.0 PERCENT.

THESE FIGURES APPARENTLY ARE ATTRIBUTED TO DIM PROSPECTS FOR THE ECONOMY, THE GOVERNMENT'S FAILURE IN OUTLINING DRASTIC FISCAL RECONSTRUCTION MEASURES IN THE DRAFT BUDGET FOR NEXT FISCAL YEAR, AND ITS WEAKENED POWER IN THE DIET WITH THE TURNABOUT OF THE SOCIAL DEMOCRATIC PARTY AND SAKIGAKE INTO OFFERING COOPERATION FROM OUTSIDE THE CABINET.

THE HOSTAGE CRISIS AT THE JAPANESE AMBASSADOR'S RESIDENCE IN PERU HAS ONCE AGAIN EXPOSED THE SHORTCOMINGS OF THE GOVERNMENT'S CRISIS MANAGEMENT. THIS SEEMS TO HAVE ALSO WORKED NEGATIVELY FOR THE CABINET.

OF THE RESPONDENTS WHO APPROVED THE CABINET, 30 PERCENT REPLIED, "IT LOOKS STABLE;" AND 26 PERCENT SAID "ITS POLITICAL STANCE MERITS APPRECIATION" OR "THE PRIME MINISTER IS RELIABLE."

OF THOSE WHO EXPRESSED DISAPPROVAL, 35 PERCENT SAID, "ITS POLICY DOES NOT MERIT APPRECIATION;" AND 34 PERCENT SAID,

"IT HAS ACHIEVED NOTHING SIGNIFICANT," AND 33 PERCENT REPLIED, "ITS POLITICAL STANCE DOES NOT MERIT APPRECIATION." ASKED WHAT POLICIES THEY DISAPPROVED, 46 PERCENT LISTED "THE TAX SYSTEM, INCLUDING THE CONSUMPTION TAX;" AND 34 PERCENT POINTED OUT "THE FEEBLE ECONOMY AND UNCLAS SECTION 02 OF 07 TOKYO 000499

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 22

HIGH PRICES," INCREASES OF 8 TO 7 POINTS FROM THE PREVIOUS SURVEY, RESPECTIVELY.

FOCUS ON OKINAWA IN U.S.-JAPAN RELATIONS
(YOMIURI - PAGE 3)

WITH THE CLINTON ADMINISTRATION OF THE UNITED STATES ENTERING ITS SECOND TERM, JAPAN-U.S. RELATIONS HAVE COME TO A CRUCIAL POINT. THE CLINTON ADMINISTRATION -- THE LAST ADMINISTRATION IN THE 20TH CENTURY -- IS TO TACKLE VARIOUS PROBLEMS, WHILE MAKING COORDINATION WITH THE CONGRESS, WHICH IS CONTROLLED BY THE REPUBLICAN PARTY. AMID THE WORK OF DESIGNATING (MEMBERS OF) DIPLOMACY AND SECURITY TEAMS AND NEW CABINET SECRETARIES BEING UNDER WAY, THIS NEWSPAPER SEARCHED FOR THE FUTURE COURSE OF BILATERAL RELATIONS FOR THE NEXT FOUR YEARS BOTH IN TOKYO AND WASHINGTON.

(JAPANESE SIDE) WITH THE U.S. CLINTON ADMINISTRATION, WHICH HAS ENTERED ITS SECOND TERM, THE JAPANESE GOVERNMENT LAYS THE GREATEST IMPORTANCE ON THE MAINTAINING AND STRENGTHENING OF THE BILATERAL SECURITY SYSTEM ONE OFFICIAL OF THE MINISTRY OF FOREIGN AFFAIRS (MOFA) NOTING, "A KEY STICKY POINT IN MATERIALIZING THE AGREEMENT REACHED BETWEEN THE TWO COUNTRIES IS AFTER ALL OKINAWA." THE GOVERNMENT'S IMMEDIATE POLICY STANCE IS TO MAKE ALL-OUT EFFORTS, BY CHARACTERIZING A SETTLEMENT OF THE ISSUE OF CONSTRUCTING AN ALTERNATIVE HELIPORT FOR FUTENMA AIR STATION AND A REVIEW OF THE GUIDELINES FOR BILATERAL DEFENSE COOPERATION AS HIGH PRIORITY TASKS.

THE GOVERNMENTS OF JAPAN AND THE U.S. LAST APRIL REACHED AGREEMENT ON THE OVERALL REVERSION OF FUTENMA AIR STATION. THEY THEN FIRMED UP THE DIRECTION OF THE POST-COLD-WAR BILATERAL SECURITY SYSTEM IN THE JAPAN-U.S. JOINT COMMUNIQUE ON SECURITY ANNOUNCED BY THE TOP LEADERS OF THE TWO COUNTRIES. SENIOR MOFA OFFICIALS SEE, "WE

FEEL THAT THE DIRECTION OF BILATERAL RELATIONS HAS BEEN SET WITH LAST YEAR'S PRESIDENT CLINTON'S VISIT TO JAPAN." BUT TO PUT IT THE OTHER WAY ROUND, IT ALSO MEANS THAT BILATERAL RELATIONS COULD ONCE AGAIN BE RATTLED FROM THE SECURITY FRONT WITHOUT THE MATERIALIZATION OF THE BILATERAL AGREEMENT.

THIS YEAR MARKS THE 25TH ANNIVERSARY OF THE REVERSION OF OKINAWA. OKINAWA IS STILL AN IMPORTANT ISSUE, SUCH AS THAT THE DEADLINE FOR THE FORCED LAND LEASES FOR THE FACILITIES OF U.S. FORCES AT KADENA IS DUE TO EXPIRE IN MAY.

THE RELATIONSHIP OF TRUST BETWEEN JAPANESE AND U.S. CABINET MINISTERS RESPONSIBLE FOR DIPLOMACY AND SECURITY IS TO BECOME THE BASIS OF ENDEAVORS TO DEAL WITH SUCH TASKS. MEETING THE PRESS ON THE 21ST, PRIME MINISTER HASHIMOTO SHOWED CONFIDENCE IN BUILDING A RELATIONSHIP OF TRUST WITH HIS COUNTERPART, STATING, "RELATIONS BETWEEN ME AND PRESIDENT CLINTON WILL REMAIN UNCHANGED." IN THE MEANTIME, HE UNDERScoreD THAT IT IS AN URGENT NECESSITY FOR FOREIGN MINISTER IKEDA TO MEET WITH HIS COUNTERPART AS EARLY AS POSSIBLE, POINTING OUT THAT HOW DEEPLY NEW STATE SECRETARY ALBRIGHT UNDERSTANDS THE ASIA-PACIFIC REGION IS UNKNOWN.

CONSIDERING THAT IT IS IMPORTANT TO COORDINATE VIEWS WITH THE CLINTON ADMINISTRATION ON IMPROVEMENT OF RELATIONS WITH CHINA AND A RESPONSE TO THE SITUATION ON THE KOREAN PENINSULA, THE GOVERNMENT IS NOW SEEKING FOR AN OPPORTUNITY FOR AN EARLY VISIT TO THE U.S. BY THE FOREIGN MINISTER AND THE PRIME MINISTER.

(POLITICAL NEWS SECTION REPORTER TSUTOMU TSUJI)

MITI EXPECTING LITTLE TRADE FRICTION, BUT
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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 22

(YOMIURI - PAGE 9)

THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)'S VIEW ON THE TRADE POLICY TOWARD JAPAN OF THE U.S. CLINTON ADMINISTRATION, WHICH ENTERED ITS SECOND TERM, IS THAT CONCERN ABOUT THE REKINDLING OF TRADE FRICTION IS WEAK, CITING, "THE SITUATION WILL BE DIFFERENT FROM HIS FIRST

TERM, WHEN INDIVIDUAL ISSUES GREW INTO POLITICAL PROBLEMS" (AMERICA DIVISION DIRECTOR ATSUGO SHIBATA). IN THE BACKDROP OF SUCH A VIEW THERE IS THE FACT THAT MAJOR TRADE DISPUTES WERE SETTLED DURING PRESIDENT CLINTON'S FIRST TERM OF OFFICE. IN ADDITION, THE U.S. ECONOMY IS IN GOOD CONDITION, AND ITS TRADE DEFICIT WITH JAPAN IS SHRINKING. PENDING TRADE ISSUES ALSO REACHED AGREEMENT ONE AFTER ANOTHER -- THE AUTO AND AUTO PARTS TALKS WERE SETTLED IN JUNE, 1995, THE CHIP TALKS IN AUGUST, 1996 AND THE INSURANCE TALKS IN DECEMBER.

THERE ARE STILL MANY ISSUES THAT HAVE YET TO BE SETTLED, SUCH AS THE OPENING OF THE CIVIL AVIATION AND PHOTOGRAPHIC FILM MARKET AND THE FILING OF A COMPLAINT REGARDING SUPERCOMPUTERS, BUT THE VIEW IS THAT CHANCES ARE SLIM THAT THOSE ISSUES WILL DEGENERATE INTO POLITICAL PROBLEMS.

SOME HAVE POINTED OUT THAT THE SITUATION WHERE THE U.S., PUTTING EMPHASIS ON CHINA IN ITS TRADE POLICY, WHICH IS ON THE UPSWING, "WILL HANDLE ISSUES WITH JAPAN IN A PRACTICAL MANNER IN ACCORDANCE WITH INTERNATIONAL RULES, SUCH AS RULES SET BY THE WORLD TRADE ORGANIZATION (WTO)."

U.S. TRADE POLICY LIKELY TO BECOME EVEN MORE OFFENSIVE TOWARD JAPAN (MAINICHI - PAGE 8)

THE CLINTON ADMINISTRATION OF THE UNITED STATES DURING ITS SECOND TERM WILL LIKELY MAKE MUCH CLEARER ITS OFFENSIVE TRADE POLICY TOWARD JAPAN BY PRESSING IT TO OPEN ITS MARKET IN THE BACKDROP OF THE U.S. ECONOMY'S INCREASING DEPENDENCE ON EXPORTS INSTEAD OF PROTECTING THEIR OWN MARKET. JAPAN-U.S. TRADE DISPUTES, WHICH APPEAR TO BE QUIETED DOWN FOR NOW, MAY ERUPT AND COME TO A CLIMAX WITH THE COMING OF A RECESSION THAT WOULD HIT THE U.S. SOONER OR LATER. IN ADDITION, ANOTHER MATTER OF WORRY IS AN UPWARD CHANGE IN THE JAPANESE VEHICLES' SHARE OF THE U.S. MARKET IN THE WAKE OF THE LOWER YEN. WE PROBE INTO POSSIBILITIES OF RECURRENCE OF FRICTION.

FOR NOW, EXCEPT FOR THE LAWSUIT CASE RELATED TO THE DUMPING OF NEC-MADE SUPERCOMPUTERS, MAJOR TRADE DISPUTES BETWEEN JAPAN AND THE U.S. ARE ALL PRESSING JAPAN TO OPEN ITS MARKETS. SUCH PRESSURE SEEMS LIKELY TO QUICKLY SPREAD TO THE SERVICES INDUSTRY, AS IS SEEN IN A REMARK BY A SENIOR FOREIGN MINISTRY OFFICIAL: "THE U.S. WILL APPLY PRESSURE TO SUCH AREAS AS CIVIL AVIATION AND ELECTRIC TELECOMMUNICATIONS THAT ARE THE U.S.' FORTE.

THOSE TRADE DISPUTES ARE THE SERIOUS MATTER OF CONCERN FOR JAPANESE INDUSTRIES, BUT THE DOMINANT VIEW IS THAT "SUCH DISPUTES ARE ON A PLANE DIFFERENT FROM THAT OF AUTO AND SEMICONDUCTOR NEGOTIATIONS IN THE PAST" (SENIOR OFFICIAL OF THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)). BUT WHAT LIES BEHIND THIS OPTIMISTIC STANDPOINT IS THE U.S. POSSIBLY SUSTAINING GOOD TIMES. THE QUESTION IS WHAT WILL HAPPEN WHEN ITS ECONOMY IS COOLING DOWN. THE U.S. ECONOMIC PROSPERITY, WHICH

STARTED IN MARCH, 1991, HAS CONTINUED FOR AS LONG AS 70 MONTHS, SO IT IS VERY LIKELY THAT IT WILL FACE A RECESSION DURING THE SECOND TERM OF THE ADMINISTRATION. AS FOR THE DOW JONES AVERAGES THAT TOP 6,800 DOLLARS, SOME POINT OUT "A BUBBLE ASPECT." IF A MISTAKEN MANAGERIAL COURSE IS TAKEN IN A RECESSION AND THEREBY BADLY INJURED, U.S. FIRMS WILL TRY TO FIND A WAY OUT IN UNCLAS SECTION 04 OF 07 TOKYO 000499

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 22

OVERSEAS MARKETS, AND THE WHITE HOUSE WILL NATURALLY ADOPT A "RESULTS-ORIENTED" HARD-LINE STANCE. THIS SCENARIO CANNOT BE DENIED BY ANYONE FOR NOW.

ON AUTOMOBILES, SOME FIGURES MAKE US WORRY. ACCORDING TO AUTO INDUSTRY SOURCES, JAPANESE CARS' SHARE OF THE U.S. PASSENGER CAR MARKET STOOD AT 30.1 PERCENT IN 1996, PASSING THE 30-PERCENT MARK. THE EXPORTS OF CARS FROM JAPAN IN LAST NOVEMBER INCREASED BY 35.3 PERCENT FROM THE SAME MONTH OF THE PREVIOUS YEAR, THEREBY U.S. MAKERS BECOMING MORE CAUTIOUS ABOUT JAPANESE CARS. SECRETARY OF THE TREASURY RUBIN, WHO IS TO STAY ON, HAS REPEATEDLY STATED HE ALLOWS THE STRONGER DOLLAR FROM THE VIEWPOINT OF CHECKING INFLATION. IT THEN SEEMS JAPANESE CARS' SHARE WILL LIKELY EXPAND EVEN MORE AND LATER BECOME A SOURCE OF DISPUTE AGAIN. (TSUYOSHI KOBAYASHI, YASUSHI KUMAGAI)

FOREIGN MINISTER IKEDA PLANNING TO VISIT WASHINGTON NEXT MONTH, PRIME MINISTER HASHIMOTO ALSO BEFORE MAY (ASAHI - PAGE 2)

THE JAPANESE GOVERNMENT HAS ALREADY BEGUN COORDINATION WORK TO SEND FOREIGN MINISTER YUKIHIKO IKEDA TO THE UNITED STATES EARLY FEBRUARY IN ORDER TO CHECK ASIA POLICY AND OTHER POLICIES WITH THE U.S. GOVERNMENT, WHOSE OFFICIALS IN CHARGE OF FOREIGN AND SECURITY AFFAIRS HAVE BEEN NEWLY APPOINTED. IT IS ALSO CONSIDERING A U.S. VISIT BY PRIME MINISTER RYUTARO HASHIMOTO IN OR BEFORE MAY. IT HAS TAKEN THE VIEW THAT THERE IS NO SUBSTANTIAL CHANGE IN THE U.S.' ASIA POLICY AND JAPAN POLICY. IT HOWEVER WANTS TO HOLD CONSULTATIONS WITH THE U.S. SIDE AS EARLY AS POSSIBLE BECAUSE THE TWO GOVERNMENTS HOLD SUCH IMPORTANT BILATERAL SECURITY ISSUES AS A REVIEW OF THE "GUIDELINES FOR JAPAN-U.S. DEFENSE COOPERATION" AND

DRAWING A SPECIFIC PLAN FOR THE REVERSION OF FUTENMA AIR STATION.

TOUCHING ON THE U.S. GOVERNMENT'S FOREIGN POLICY IN THE FUTURE, FOREIGN MINISTER IKEDA ON THE 21ST REMARKED: "THERE WILL BE NO CHANGE IN THE U.S. POLICY TOWARD ASIA AND JAPAN. I HAVE HEARD FROM THE U.S. SIDE THROUGH VARIOUS DIPLOMATIC CHANNELS THAT THE U.S. GOVERNMENT WILL MAINTAIN ITS POLICY STANCE IN PRINCIPLE." "NO CHANGE IN THE U.S. POLICY" IS THE DOMINANT VIEW IN THE JAPANESE GOVERNMENT.

BUT IT IS UNCERTAIN WHAT POLICY APPROACHES NEW SECRETARY OF STATE ALBRIGHT, WHO IS A SPECIALIST ON EUROPEAN AFFAIRS, AND NEW SECRETARY OF DEFENSE COHEN, WHO WAS A DEFENSE POLICY CLIQUE IN THE SENATE, WILL TAKE BECAUSE THE JAPANESE GOVERNMENT HAS FEW TIES WITH THEM.

FOR JAPAN "THE FIRST THING TO DO IS BUILDING TRUST RELATIONS WITH NEW U.S. GOVERNMENT OFFICIALS" (VICE FOREIGN MINISTER SADAYUKI HAYASHI).

IN A BID TO CREATE THE PATH FOR HOLDING PERIODIC CONSULTATIONS WITH THE SECOND CLINTON ADMINISTRATION, THE JAPANESE GOVERNMENT INTENDS TO ASK SECRETARY ALBRIGHT, SECRETARY COHEN AND VICE PRESIDENT GORE TO VISIT JAPAN.

U.S. RICE FEDERATION OPENS OFFICE IN TOKYO FOR SALES PROMOTION IN JAPAN (NIHON KEIZAI - PAGE 12)

THE USA RICE FEDERATION (URF), AMERICA'S LARGEST RICE INDUSTRY ASSOCIATION, YESTERDAY ANNOUNCED THAT IT WILL OPEN A REPRESENTATIVE OFFICE IN TOKYO TO ENGAGE IN ACTIVITIES TO PROMOTE THE SALES OF U.S.-GROWN RICE IN COOPERATION WITH JAPANESE COMPANIES, SUCH AS FAMILY MART. THE AIM IS TO EXPAND THE SALES OF AMERICAN RICE. THE URF INTENDS TO PUT EFFORTS INTO CONSOLIDATION OF THE UNCLAS SECTION 05 OF 07 TOKYO 000499

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 22

ENVIRONMENT IN PREPARATION FOR FUTURE LIBERALIZATION OF RICE IMPORTS, BY FURTHER STRENGTHENING ITS TIES WITH MAJOR DISTRIBUTION COMPANIES AND THE RESTAURANT INDUSTRY.

THE URF IS AN ORGANIZATION OF THE RICE INDUSTRY

CONSISTING OF ABOUT 15,000 RICE GROWERS AND POLISHERS THROUGHOUT THE COUNTRY AND MARKETING COMPANIES. ITS REPRESENTATIVE OFFICE IN JAPAN WAS OPENED YESTERDAY IN UNIFLEX MARKETING IN MINATO WARD, TOKYO.

UPON OPENING THE OFFICE, THE URF WILL CONDUCT A SURVEY OF JAPANESE CONSUMERS' AWARENESS OF AMERICAN RICE BEFORE THE MIDDLE OF FEBRUARY, AIMING AT WORKING OUT WAY INTO THE JAPANESE MARKET. FROM MARCH, IT WILL STAGE SALES PROMOTION CAMPAIGN TOWARD THE DISTRIBUTION AND RESTAURANT INDUSTRIES.

FAMILY MART WILL SELL AMERICAN RICE, ATTACHING ITS PRIVATE BRAND TO IT. JUSCO IS PLANNING TO PUT ON THE MARKET AT ITS 100 - 150 OUTLETS ACROSS THE COUNTRY BALLS OF RICE TOPPED WITH VARIOUS TYPICAL JAPANESE DISHES, USING AMERICAN RICE ONLY. FURTHERMORE, THE URF IS PLANNING TO LAUNCH A SALES CAMPAIGN TOWARD TOKYO DOME AND NIPPON SHOKUDO.

FISCAL RECONSTRUCTION BILL TO BE OUTLINED IN JUNE
(YOMIURI - TOP PLAY)

IN ITS FIRST MEETING AT THE PRIME MINISTER'S OFFICIAL RESIDENCE YESTERDAY AFTERNOON, THE "FISCAL STRUCTURAL REFORM COUNCIL" (CHAIRIED BY PRIME MINISTER RYUTARO HASHIMOTO) OF THE GOVERNMENT, THE LIBERAL DEMOCRATIC PARTY, SOCIAL DEMOCRATIC PARTY AND SAKIGAKE AGREED TO MAP OUT BY THE END OF JUNE AN OUTLINE OF A "FISCAL RECONSTRUCTION BILL" (TENTATIVE NAME) THAT INCLUDES NUMERICAL TARGETS TO CURTAIL EXPENDITURES IN SPECIFIC AREAS.

OF SIX REFORMS PRIME MINISTER HASHIMOTO HAS PUT FORTH, CONCRETE DETAILS WILL BE READY FOR FISCAL STRUCTURAL REFORM AT THE EARLIEST DATE. THE PRIME MINISTER DECLARED, "THERE WILL BE NO SACROSANCT SET IN ANY AREA," AND THEN PLEDGED THAT HE WOULD STRIVE TO ACHIEVE "JAPANESE-VERSION (BIG BANG) FISCAL RECONSTRUCTION MEASURES" WITH INDOMITABLE DETERMINATION.

FISCAL REFROM PANEL MEETS; TOUCHING OFF POLITICAL REALIGNMENT? (MAINICHI - PAGE 2)

THE CONFERENCE ON STRUCTURAL FISCAL REFORM (ZAISEI KOUZOU KAIKAKU KAIGI) HELD ITS FIRST MEETING YESTERDAY. AN OBSERVATION IS AFLOAT THAT THE CONFERENCE WOULD WORK AS A "CATALYZER" FOR POLITICAL REALIGNMENT. THE PANEL MADE ITS START WITH THE FRAMEWORK MADE UP OF THE LIBERAL DEMOCRATIC PARTY (LDP), SOCIAL DEMOCRATIC PARTY (SDP) AND SAKIGAKE PARTY. CHIEF CABINET SECRETARY SEIROKU KAJIYAMA INTENDS TO WORK ON SUCH OPPOSITION PARTIES AS THE SHINSHINTO (NEW FRONTIER PARTY) AND MINSHUTO (DEMOCRATIC PARTY OF JAPAN) TO JOIN THE PANEL IN THE FUTURE. DEPENDING UPON THE CONSEQUENCE, THE PANEL IS LIKELY TO HAVE AN IMPACT ON THE DEVELOPMENTS OF POLITICAL REALIGNMENT. (YOSHIAKI NAKAGAWA)

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MEMBERS OF THE CONFERENCE ON STRUCTURAL FISCAL REFORM

(GOVERNMENT)

PRIME MINISTER RYUTARO HASHIMOTO, FINANCE MINISTER
HIROSHI MITSUZUKA, CHIEF CABINET SECRETARY SEIROKU
KAJIYAMA, MANAGEMENT AND COORDINATION AGENCY DIRECTOR
GENERAL KABUN MUTO, HOME AFFAIRS MINISTER KATSUHIKO
SHIRAKAWA, ECONOMIC PLANNING AGENCY DIRECTOR GENERAL TARO
ASO, DEPUTY CHIEF CABINET SECRETARY KAORU YOSANO, DEPUTY
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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 22

CHIEF CABINET SECRETARY TEIJIRO FURUKAWA, PARLIAMENTARY
VICE FINANCE MINISTER SHOZABURO NAKAMURA

(LDP)

SECRETARY GENERAL KOICHI KATO, POLICY AFFAIRS RESEARCH
COUNCIL CHAIRMAN TAKU YAMASAKI, EXECUTIVE COUNCIL
CHAIRMAN YOSHIRO MORI, UPPER HOUSE CHAIRMAN SHIGENOBU
SAKANO, UPPER HOUSE SECRETARY GENERAL MASAKUNI MURAKAMI,
UPPER HOUSE POLICY DELIBERATION COUNCIL CHAIRMAN MASAKUNI
MURAKAMI, UPPER HOUSE POLICY DELIBERATION COUNCIL VICE
CHAIRMAN YUTAKA TAKEYAMA, FINANCE DIVISION DIRECTOR
TAKANORI SAKAI

(SDP)

SECRETARY GENERAL SHIGERU ITO, ADMINISTRATIVE AND FISCAL
REFORM PT CHAIRMAN KAZUMI SUZUKI, POLICY DELIBERATION
COUNCIL CHAIRMAN KAZUO OIKAWA

(SAKIGAKE)

SECRETARY GENERAL HIROYUKI SONODA, POLICY DELIBERATION
COUNCIL CHAIRMAN SEIICHI MIZUNO

(FORMER PRIME MINISTERS)

YASUHIRO NAKASONE, NOBORU TAKESHITA, KIICHI MIYAZAWA,
TOMIICHI MURAYAMA

(FORMER FINANCE MINISTERS)

TATSUO MURAYAMA, YOSHIRO HAYASHI, MASAYOSHI TAKEMURA

OKINAWA PREFECTURE ALSO REFUSES OFFSHORE HELIPORT
FEASIBILITY STUDY (MAINICHI - PAGE 1)

NAHA DEFENSE FACILITIES ADMINISTRATION BUREAU CHIEF

TAKEHIKO SHIMAGUCHI, WHO REQUESTED NAGO CITY TO ACCEPT THE PRELIMINARY SURVEY PROGRAM OFF CAMP SCHWAB FOR CONSTRUCTING FACILITIES TO REPLACE FUTENMA AIR STATION, HELD TALKS YESTERDAY AFTERNOON WITH OKINAWA LIEUTENANT GOVERNOR MASANORI YOSHIMOTO AT THE PREFECTURAL OFFICE. IN THE SESSION, LIEUTENANT GOVERNOR YOSHIMOTO ONCE AGAIN CLEARLY "REJECTED" NAGO MAYOR TETSUYA HIGA'S REQUEST FOR THE OKINAWA GOVERNMENT'S PRESENCE IN TALKS. THE CENTRAL GOVERNMENT SAYS THAT IT WILL "NOT IMPLEMENT THE PLAN FORCIBLY WITHOUT OBTAINING UNDERSTANDING FROM LOCAL AREAS." UNDER THE CIRCUMSTANCE, THE CENTRAL GOVERNMENT'S PLAN TO DRAFT AN OFFSHORE HELIPORT CONSTRUCTION IMPLEMENTATION PROGRAM WITHIN THIS YEAR HAS NOW BECOME UNCLEAR.

PERCEPTION GAP BETWEEN PREFECTURAL GOVERNMENT AND LOCAL CITY (MAINICHI - PAGE 3)

BOTH NAGO CITY, THE MOST LIKELY SITE FOR THE PROJECT, AND OKINAWA PREFECTURE ON THE 21ST TURNED DOWN THE GOVERNMENT'S REQUEST FOR THEIR COOPERATION IN CARRYING OUT PRELIMINARY SURVEYS REQUIRED FOR CONSTRUCTING A HELIPORT TO REPLACE U.S. FUTENMA AIR STATION. PERCEPTION GAPS ARE WIDE AMONG THE CENTRAL GOVERNMENT, OKINAWA PREFECTURE, AND NAGO CITY. COMPLICATIONS ARE EXPECTED.

THERE ARE TWO REASONS WHY NAGO CITY IS REQUESTING SO STRONGLY THE PRESENCE OF OKINAWA PREFECTURE IN HANDLING THE CENTRAL GOVERNMENT'S PROPOSAL. ONE IS BECAUSE ALL THE POSSIBLE ALTERNATIVE SITES RECOMMENDED BY THE JAPAN-U.S. SPECIAL ACTION COMMITTEE ON OKINAWA (SACO) ARE LOCATED IN THE NORTHERN PART OF THE MAIN ISLAND OF OKINAWA. ANOTHER FACTOR IS THAT NAGO CITY HARBORS STRONG DISTRUST TOWARD THE OKINAWA GOVERNMENT, WHICH IS ACTING AS IF IT IS "NOT DIRECTLY INVOLVED IN THE PROJECT," DESPITE ITS BEING A KEY PLAYER IN THE SCHEME TO RETURN THE BASE TO JAPAN.

SPECIFICALLY, THE GOVERNMENT IS CONSIDERING TO RELOCATE:
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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 22

1) FUTENMA AIR STATION TO THE WATERS OFF CAMP SCHWAB; 2) YOMITAN AUXILIARY AIRFIELD TO IEJIMA AUXILIARY AIRFIELD; AND 3) SOBE TELECOMMUNICATIONS STATION TO CAMP HANSEN.

MAYOR TETSUYA HIGA, WHO HAS BEEN CALLING FOR MORE ATTENTION TO THE NORTHERN PART WHICH IS LAGGED BEHIND IN DEVELOPMENT, REVEALED DISSATISFACTION AFTER THE SESSION WITH NAHA DEFENSE FACILITIES ADMINISTRATION BUREAU CHIEF TAKEHIKO SHIMAGUCHI, NOTING, "THE NORTHERN PART IS NOT A DUMPING PLACE FOR THE BASES."

CHAIRMAN CHOSHIN TERUKINA (?) OF THE OKINAWA FISHERMEN'S FEDERATION, WHOM BUREAU CHIEF SHIMAGUCHI ALSO MET YESTERDAY, ALSO NOTED: "THE OKINAWA GOVERNMENT PLAYED A CENTRAL ROLE IN COMPILING THE ACTION PROGRAM THAT FEATURES THE REALIGNMENT AND REDUCTION OF THE BASES. IT IS NOT PROPER FOR IT TO ACT AS IF IT DOES NOT KNOW ANYTHING AT THIS STAGE OF CONSTRUCTING A NEW BASE (RELOCATION)." (SHUNJI NOZAWA)

NORTH KOREA: KWP SECRETARY KIM JONG IL TO BECOME PRESIDENT IN SEPTEMBER, GENERAL SECRETARY IN OCTOBER (TOKYO SHIMBUN - TOP PLAY)

(JANUARY 21, SEOUL, YASUHIRO TAKEDA) SOURCES FAMILIAR WITH NORTH KOREAN AFFAIRS REVEALED AS OF THE 21ST THAT SECRETARY KIM JONG IL OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA) HAS MADE UP HIS MIND TO ASSUME THE POST OF STATE PRESIDENT ON SEPTEMBER 9, NATIONAL FOUNDATION DAY, AS WELL AS THE POST OF GENERAL SECRETARY OF THE KOREAN WORKERS' PARTY (KWP) ON OCTOBER 10. HE HAS ALREADY STARTED PREPARATORY WORK.

CHINESE PREMIER WOULD LIKE TO VISIT JAPAN THIS YEAR (NIHON KEIZAI - PAGE 1)

(BEIJING, JANUARY 21, KENJI YUASA) CHINESE PREMIER LI PENG MET YOSHIO SAKURAUCHI, WHO HEADED THE JAPAN TRADE PROMOTION ASSOCIATION, AT THE GREAT HALL OF THE PEOPLE ON THE 21ST AND SAID THAT HE WANTED TO VISIT JAPAN THIS YEAR. IN REPLY TO SAKURAUCHI'S REMARK, "I WANT YOU TO VISIT JAPAN THIS YEAR, THE 25TH ANNIVERSARY OF THE NORMALIZATION OF DIPLOMATIC RELATIONS BETWEEN JAPAN AND CHINA," PREMIER LI SAID, "IF PRIME MINISTER HASHIMOTO EXTENDS A FORMAL INVITATION, I WOULD LIKE TO VISIT JAPAN." IF REALIZED THIS YEAR, LI'S VISIT TO JAPAN WILL BE MADE AFTER A LAPSE OF EIGHT YEARS SINCE A TRIP IN APRIL, 1989.

THE JAPANESE GOVERNMENT HAS BEEN WORKED OUT DETAILS FOR RECIPROCAL VISITS BY THE JAPANESE AND CHINESE PRIME MINISTERS, IN ITS EFFORT TO IMPROVE THE BILATERAL RELATIONS THAT HAVE BEEN STRAINED OVER THE SENKAKU ISLANDS ISSUE. IN THE JAPAN-CHINA SUMMIT MEETING HELD DURING THE MANILA MEETING OF THE ASIA-PACIFIC ECONOMIC COOPERATION (APEC) FORUM LAST NOVEMBER, PRIME MINISTER HASHIMOTO INVITED CHIEF OF STATE JIANG Z EMIN TO VISIT JAPAN. FOREIGN MINISTER IKEDA IS SLATED TO VISIT CHINA THIS SPRING, AND THEN PRIME MINISTER HASHIMOTO IS EXPECTED TO VISIT BEIJING AND OFFER A FORMAL INVITATION TO PREMIER LI. CRANE

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RUEHKOS/AMCONSUL SAPPORO 9789
RUEHOK/AMCONSUL OSAKA KOBE 0168
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 01/22/97

TEXT:
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INDEX:

(1) Term of Forcible Use of Sites as U.S. Forces' Bases Will Expire in Coming May; Central Government Agonized, Sandwiched between U.S. and Okinawa Prefecture

(2) Government's Draft Plan for Liberalization in Principle of Holding Companies; No Notification to Be Required for Holding Companies Whose Total Assets Are Below 500 Billion Yen

(3) Full-fledged Deliberations to Start at Diet on Bill to Set up Japanese-version GAO; Focus Likely on Right to Conduct Investigation on Government

ARTICLES:

(1) Term of Forcible Use of Sites as U.S. Forces' Bases Will Expire in Coming May; Central Government Agonized, Sandwiched between U.S. and Okinawa Prefecture; To Engage Soon in Full-fledged Study of Responses

YOMIURI (Page 3) (Full)
January 21, 1997

Private land that is scattered in 12 United States forces' facilities in Okinawa including Kadena Air Base and that is owned by about 3,000 persons will see the term of forcible use of such land expire on May 14. To deal with that problem, the central government will begin within the month a full-fledged study of a policy approach. For the central government, it seems difficult in terms of time to acquire a title to use (legal ground for forcible use of land) after waiting for the Okinawa Prefecture Expropriation Committee to make a decision before the deadline comes. If there arises a "legal vacuum," a chaotic situation is expected to emerge in bases. To avoid such a situation, the central government is informally preparing a revision of the Special Measures Law for Sites Used by U.S. Forces in Japan (USFJ). If some legal action were taken, Okinawa Prefecture will undoubtedly show a strongly negative reaction. Prime Minister Hashimoto, caught between the U.S.-Japan Security Treaty and his consideration for Okinawa Prefecture, will likely be pressed hard to make a decision.

"Open hearings" for the prefectural expropriation committee to hear opinions from landowners who have refused to lend their land for U.S. military facilities are scheduled as follows:

-- First hearing set for February 21; and
-- Second one for March 12.

According to the past cases, it has taken four months at the shortest before open hearings are all completed and then the prefectural expropriation committee passes a decision. Even after a decision UNCLAS SECTION 02 OF 09 TOKYO 000525

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is made, the central government cannot earn the title to use land until it pays security money (land rent) to all landowners. To pay security money, two months or so are necessary. It then seems extremely difficult to arrive at a settlement by May 14 in terms of the schedule.

Regarding a portion of the sites now used as Sobe Telecommunications Station that have been in a "legal vacuum" since last April due to landowners' refusal to renew land-lease contracts, the central government, citing such reasons as the obligation to offer facilities under the U.S.-Japan Security Treaty, has justified continued use of land, noting: "Our not agreeing to return such land cannot be instantly concluded to be illegal" (Chief Cabinet Secretary Kajiyama).

However, the expiration of the term of forcible use of land this time is not caused by landowners' refusal to renew land-lease contracts but is brought about by the central government that has delayed in going through the procedures because it was unable to obtain cooperation from Governor Masahide Ota and others. The Defense Facilities Administration Agency therefore expresses its worry: "Legal ground is weak for continued use of land."

In addition, regarding landowners' going into base sites, if their entering such sites is allowed this time, it will become difficult to maintain the stable use of bases because there is common land owned by about 2,900 hito-tsubo or 3.3-square-meter landowners, who are opposed to bases, near the runway on Futenma Air Station. The possibility is then undeniable that "the U.S.-Japan Security Treaty would fall into confusion" (senior Foreign

Ministry official).

To avoid such a case, the central government since around last summer has considered its response based on the following two ideas: (1) revising the Special Measures Law for Sites Used by USFJ to make it possible for USFJ to use land even after expiration if such land is under deliberation at the prefectural expropriation committee; and (2) asking the prefectural expropriation committee for "emergency use" of land for six months.

Prime Minister Hashimoto for now is said to be circumspect in revising the law for his placing emphasis on "good relations" with Okinawa Prefecture since last September when Governor Ota agreed to act as proxy in putting on public display legal papers required to continue the forced use of land as well as on his relations with the Social Democratic Party (SDP), an outside-cabinet partner who directly affects the foundation of his administration.

But as for an application for "emergency use," there was a case that was turned down. For
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example, in last May when an application for emergency use of the Sobe Telecom site was filed, the prefectural expropriation committee rejected it. So in the central government, the opinion is gaining strength that: "We expect a proper judgment of the prefectural expropriation committee, but in the end, there will be no other way than to take legal action" (senior Japan Defense Agency official).

Yet some express a view that even in the case of aiming at revising the law, "to obtain understanding from Okinawa Prefecture and the SDP, we should first make an application for emergency use, making legal action a last resort that will be taken after every possible means is taken" (government source).

(2) Government's Draft Plan for Liberalization in Principle of Holding Companies; No Notification to Be Required for Holding Companies Whose Total Assets Are Below 500 Billion Yen; Standard for Placing Ban Likely to Be Set around 21 Trillion Yen to Prevent Resurrection of Prewar Zaibatsu Conglomerates

NIHON KEIZAI (Top Play) (Full)
January 19, 1997

A draft plan for lifting the ban on pure holding companies -- now under study by the government -- has been revealed. The government intends to "liberalize in principle holding companies" irrespective of the forms of holding companies to be set up. Along with that policy stance, procedures for establishing such will be simplified, by scrapping the prior inspection and abolishing the notification system so long as the proposed company's total assets do not exceed 500 billion yen. The creation of holding companies will be banned in case their total assets top approximately 20 trillion yen, having companies operating in various business types under its wing or powerful and large-scale holding companies are likely to be formed. The government will aim at creating a flexible and efficient corporate form in order to strengthen companies' competitiveness, while preventing the harmful effects, such as monopoly or oligopoly, from emerging.

The government plans to have the Fair Trade Commission (FTC) finalize the plan to be presented to the ruling parties early next month, and then submit it to the regular Diet session in March as an amendment to the Anti-Monopoly Law (AML). If the procedures progress smoothly, the revision will come into effect in January, 1998, and the ban on pure holding companies, which have been prohibited since the dismantling of zaibatsu conglomerates.

The basic point of the proposed removal of the ban is that it is not "partial removal," under which holding companies are still regulated in a uniform
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manner regarding the form of creating spin-off companies and their size; the creation of such will become "free in principle." The FTC will make a substantive check only on cases that seems to have problems.

Procedures for such establishments will be simplified from the viewpoint of preventing excessive regulations. According to the draft plan, no notifications will be necessary when an applicant company whose total assets are below 500 billion yen becomes a holding company, by breaking up its business division. In the case of the creation of a holding company with its total assets topping 500 billion, a once-a-year periodic report on the actual state will be required in addition to an ex post facto notification within three months after the end of its accounting year.

Regarding the contents of notifications and reports, no more than what is required for consolidated financial statements will be required in order to avoid an excessive burden in drafting such documents. Companies whose total assets exceed 500 billion yen number approximately 200 with the exception of financial institutions. Most companies will be exempted from the obligation to submit a notification of establishment of a holding company.

Prior inspection also will be made unnecessary, but the FTC is considering that if it reaches a judgment, after conducting its own survey or examining an ex post facto notification, that "the applied holding company will lead to excessive concentration of business control power," it may suspend the application, if such a judgment was reached before the establishment of the applied holding company, and if it is after the establishment, it may order a dissolution of or a transfer of goodwill/stocks of such.

Studies on what sort of holding companies should be banned are under way, based on the thinking, "holding companies that have under their wings many influential companies which cover several business sectors should be banned." As a concrete standard for placing a ban on holding companies that are engaging in cross-sectarian business operations, total assets of more than 21 trillion yen as held by the Sumitomo Group (excluding its banks), the smallest among the six largest corporate groupings affiliated with the former zaibatsu clique group, are floating in order to prevent prewar zaibatsu conglomerates from resurrecting.

Participation in the same holding company by companies in the same line of business or by an influential car-maker and a steel company will also be prohibited, according to the merger regulation and the stock-holding restriction, because such a company may have monopolistic power over specific commodity goods.

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As for financial holding companies that have banks as their subsidiaries, studies will be conducted by the Finance Ministry's Financial System Research Council regarding what types should be banned.

Outline of Draft Plan for Lifting Ban on Holding Companies

Basic Policy Direction

-- Liberalization in principle. A ban is to be placed on cases where excessive concentration of business control power is likely to be incurred.

Procedures for Establishment

-- When a company whose total assets exceed 500 billion yen becomes a holding company, it is required to make a notification within three months after the end of its accounting year. It should also submit a yearly report on a regular basis. An ex post facto report is to be submitted when a company with total assets of more than 10 billion is to be made a subsidiary.

-- It is not necessary to make a notification of the creation of a holding company so long as its total assets fall short of 500 billion yen.

Inspection

-- The FTC is to carry out inspection in the forms of a survey by its right, discretionary prior

consultations, ex post facto notifications and regular reports.

-- A ban is to be placed on holding companies that have under their wings many influential companies that are operating in several business sectors.

-- When proposed holding companies are engaging in cross-sectarian business operations, total assets of over 21 trillion yen are to be employed as a judgment standard for judging the propriety or the non-propriety of such so as to prevent such from growing into a size equivalent to the existing six largest corporate groupings.

-- Regarding holding companies to be created by companies in the same line of business or those whose businesses partly overlap, inspection is to be carried out, based on inspection standards set under the merger regulation or the stock-holding regulation.

-- Outstanding stocks of other business enterprises held by a financial holding company through its subsidiaries should not exceed 5 percent in its entirety. The specific scope of the proposed removal of the ban is to be looked into by the Financial System Research Council under the Finance Ministry.

(3) Full-fledged Deliberations to Start at Diet on
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SUBJECT: JAPANESE DAILY PRESS SUMMARY 01/22/97

Bill to Set up Japanese-version GAO; Focus Likely
on Right to Conduct Investigation on Government;
May Lead to Restructuring of Political World

SANKEI (Page 3) (Full)
January 16, 1997

The Minshuto (Democratic Party of Japan)-proposed "bill to set up an administrative monitoring agency (or a Japan version of the general accounting office (GAO)) will be discussed on a full scale at the regular Diet session from the 20th. Some

analysts pointed out the bill was a violation of the Constitution, an Liberal Democratic Party source claiming, "Evaluation of administrative work belongs to the Cabinet's administrative authority." But the judgment is that there is no problem in view of the Constitution with some powers excluded, such as authority related to on-the-spot inspections. Moreover, this bill may be linked to a drive for restructuring the political world. This article looks into expected points of contention and the future of the bill.
(Satoru Kaneko)

New Agency

The concept on an "administrative monitoring agency" is designed to set up a new organization staffed with 800 members, including expert investigators, in charge of inspecting administrative work. The new organization would have such functions as "auditing," "evaluation of administrative work," and "grievance procedure as an ombudsman office." The GAO in the United States, unlike Japan's Board of Audit, is a watchdog organization that focuses on "assessment of policies." Since the new concept models after this, it is called a "Japanese-version GAO."

The Liberal Democratic Party (LDP) on the 13th set up a project team with the Social Democratic Party (SDP) and Sakigake to study this concept. Early next week, the Minshuto is expected to give explanations to the project team.

In discussing the Minshuto concept, the focus is likely to be set on its relation to Dietmembers' right to conduct investigation in relation to government." All Dietmembers are authorized to investigate overall public administration. If they wish, they will be able to ask for data and explanations at committee meetings from relevant government agencies.

A junior LDP member remarked, "The concept of establishing a new institution while Dietmembers' authority is left unused might incur criticism, claiming such will waste tax money."

Management and Coordination Agency vs. Minshuto

In order to skirt the criticism calling it "waste
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of money," the Minshuto has presented as a set this bill and one to abolish the Management and Coordination Agency (MCA) Administrative Inspection Bureau, but the government has reacted negatively, a senior MCA official saying "It is necessary for the government to check its own administrative work." The Minshuto has asserted, "The MCA has worked on Nagata-cho (TN: Japan's Capitol Hill) to oppose the bill." Both sides thus have locked horns over the issue.

Such criticism as waste of money might lead to a call for "reform of the Diet first before establishment of a new organization" (LDP executive officer). He explained that active deliberations, evaluation of administrative work and grievance procedure are Dietmembers' duties.

In the Upper House, discussion has been conducted on a new method to oversee administrative work by strengthening the account-settlement system as part of Diet reform. If the Minshuto-proposed new organization is to be set up, this Diet-reform plan may be held up, and a fissure might occur between the Minshuto and the Upper House. Keeping such in mind, the Minshuto is seeking for a joint struggle with the Upper House, a Minshuto source remarking, "Upper House reform and establishment of the new panel should be implemented simultaneously."

Tug-of-War within LDP

Even if agreement is reached to set up the new panel, various opinions on specifics await, as seen from comments by an LDP source, "The new organization's powers, including the authority to inspect on-the-spot inspection, are overly strong," and by a senior official, "Its powers are more than those given to Dietmembers."

If debate proceeds as in the case of reforming the Ministry of Finance (MOF), the concept might end up with a compromise plan of the LDP proposal and the SDP-Sakigake plan.

But a Minshuto Dietmember stated, "Such is the worst-case scenario. If we come up with a half-baked plan, calls for scrapping it will naturally erupt in several years." Some members of the party

suggest that the Minshuto should call off talks with the LDP as soon as possible, a junior member saying "The opposition party Shinshinto and Communist Party must approve our original draft. If the SDP and Sakigake join hands with us, our plan will be legislated." The possibility cannot be ruled out that such a move based on the idea of "encircling the LDP" by administrative reform might lead to reorganizing the political world.

An LDP senior official said, "A decision was made to divide the MOF, with the political situation taken into consideration." As in the case of the MOF reform, "the GAO issue would turn out into a UNCLAS SECTION 08 OF 09 TOKYO 000525

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tug-of-war over policy lines between Chief Cabinet Secretary Seiroku Kajiyama and LDP Secretary General Koichi Kato."

Major Points in Administrative Monitoring Agency (Japanese GAO) Bill

Objective

To continuously inspect national administrative organizations' work, in the capacity of an institution attached to the Diet and from a fair position, and to make suggestions on necessary legislation or revision and abolition of laws, in accordance with the results of inspection (Article 1).

Organization

The organization is to be composed of three administrative inspectors (Article 2). Out of those who have superior knowledge about inspection in relation to national government organizations' duties, three should be picked and the Lower House Speaker and Upper House President, upon obtaining approval in both chambers, appoint them (Article 3).

Surveillance

In case a request is made by 21 or more members of standing or special committees or the Lower House or 11 or more members of the Upper House, the panel is to oversee administrative organizations' duties (Articles 18 and 20). A report of the results of inspection should be submitted to the chairman.

Offering of Opinions

The organization should have the right to offer opinions when asked by standing or special committees regarding enactment, revision or abolition of laws, based on the results of investigation (Article 21).

Request for Presentation of Data

The organization should have the right to demand national administrative organization and local public entities to present data (Clause 1, Article 22). Those administrative organizations should submit the demanded data within 20 days (Clause 2, Article 22).

On-the-Spot Inspection

Special inspectors or other proper authorities are to be allowed to enter public agencies and other places to conduct necessary inspection (Article 24).

Demand to Reference Witnesses for Appearance

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The organization may request reference witnesses to appear for a hearing of their views (Article 25).

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RHEHAAA/WHITE HOUSE WASHDC
RUCPDOG/USDOC WASHDC
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RUEAIIA/CIA WASHDC
RUEAWJB/USDOJ WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 23

TEXT:
UNCLAS SECTION 01 OF 06 TOKYO 000538

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;
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IN ANTI-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN
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FLT/PA; COMNAVFORJAPAN/PA.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 23

TOP HEADLINES:

ASAHI: HOUSING AND URBAN DEVELOPMENT CORPORATION WILL
WITHDRAW FROM SALE OF HOUSING, SAYS CONSTRUCTION
MINISTER; HOUSING RENT BUSINESS ALSO WILL SHRINK; TO POUR
ENERGIES MAINLY INTO CREATING TOWNS

NIHON KEIZAI: MAZDA, FORD TO USE COMMON ENGINES; DIVISION
SYSTEM WILL BE ADOPTED BY CAR TYPE; 2 MILLIONS OF 2,000CC
ENGINES WILL BE FIRST PRODUCED YEARLY; BUSINESS

INTEGRATION TO BE FURTHER SPEEDED UP

TOKYO SHIMBUN: KANSAI AIRPORT-RELATED SCANDALS: FORMER AIRPORT HEAD TO BE QUESTIONED TODAY; ON SUSPICIONS OF BRIBERY IN CONNECTION WITH SELECTION OF FIRMS; HE HAD RECEIVED GOLD BAR AND PICTURES

MAINICHI: TOKYO DISTRICT PUBLIC PROSECUTORS TO RAID ON FORMER KANSAI AIRPORT HEAD ON CHARGE OF BRIBERY IN CONNECTION WITH SELECTION OF COMPANIES; HE HAD RECEIVED GOLD BAR AND PICTURES WORTH 1.4 MILLION YEN FROM SUSPECT IZUI

YOMIURI: HOUSING AND URBAN DEVELOPMENT CORPORATION WILL WITHDRAW FROM HOUSING BUSINESS; ITS MANAGEMENT NOW UNDER PRESSURE FROM UNSOLD HOUSING; TO DISCONTINUE "SALE OF HOUSING" AND ALSO TO REDUCE THE SCALE OF "HOUSING RENT BUSINESS"; BUSINESS EFFORTS WILL BE SWITCHED TO REDEVELOPMENT, ACCORDING TO AN INTERIM REPORT

SANKEI: TO QUESTION FORMER KANSAI AIRPORT HEAD POSSIBLY TODAY; "IZUI MONEY" HAD BEEN GIVEN TO HIM; TOKYO DISTRICT PUBLIC PROSECUTORS' OFFICE CONCLUDES IT TO BE BRIBERY

PRIME MINISTER HASHIMOTO SENDS MESSAGE TO PRESIDENT CLINTON FOR CLOSER TIES (NIHON KEIZAI - PAGE 2)

PRIME MINISTER RYUTARO HASHIMOTO LATE ON THE 22ND SENT A LETTER TO UNITED STATES PRESIDENT CLINTON, WHO HAS JUST STARTED HIS SECOND TERM, TO TRANSMIT HIS DETERMINATION TO COOPERATE CLOSELY WITH THE PRESIDENT IN ORDER TO STRENGTHEN JAPAN-U.S. TIES. THE PRIME MINISTER REMARKED: "CLOSER JAPAN-U.S. RELATIONS ARE INDISPENSABLE NOT ONLY FOR THE TWO COUNTRIES BUT ALSO FOR THE STABILITY OF THE ASIA-PACIFIC REGION AND FOR THE BENEFIT OF THE ENTIRE WORLD AS WELL." HE THUS REVEALED HIS PERCEPTION THAT STABLE JAPAN-U.S. RELATIONS WOULD BECOME EVEN MORE IMPORTANT IN THE INTERNATIONAL COMMUNITY TOWARD THE 21ST CENTURY.

FOREIGN MINISTER IKEDA PLANNING TO LEAVE FOR U.S. ON FEBRUARY 8 (YOMIURI - PAGE 2)

THE GOVERNMENT STARTED YESTERDAY COORDINATION ON FOREIGN MINISTER IKEDA'S VISIT TO THE UNITED STATES WITH A FOUR-DAY TRIP FROM FEBRUARY 8 TO 11 IN MIND. IN HIS TALKS WITH NEW SECRETARY OF STATE ALBRIGHT ON BILATERAL ISSUES, IKEDA WANTS TO BUILD A PERSONAL TRUST RELATIONSHIP WITH HER. IN A BID TO MINIMIZE IMPACT ON THE DIET BUDGETARY DELIBERATIONS, THE GOVERNMENT HAS SET HIS U.S. VISIT FOR FEBRUARY 8 - 11, INCLUDING THE WEEKEND AND NATIONAL FOUNDATION DAY (11TH).

TAIYO PARTYQS HATA ALSO PLANNING TO VISIT U.S. ON FEBRUARY 1 (YOMIURI - PAGE 2)

THE TAIYOTO (SUN PARTY) HEAD HATA WILL GO TO THE UNITED STATES ON FEBRUARY 1 TO ATTEND THE "MICROCREDIT SUMMIT."

HE WILL SERVE AS CO-HONORARY CHAIRMAN TOGETHER WITH U.S. FIRST LADY HILLARY CLINTON.

PRIME MINISTER REFUSES TO REVISE BUDGET
(TOKYO SHIMBUN - PAGE 1)

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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 23

AT THE LOWER HOUSE PLENARY SESSION HELD YESTERDAY AFTERNOON, REPRESENTATIVES OF VARIOUS PARTIES RAISED QUESTIONS TO THE FOUR GOVERNMENT SPEECHES THAT INCLUDE PRIME MINISTER RYUTARO HASHIMOTO'S ADMINISTRATIVE SPEECH IN ORDER TO ASCERTAIN THE GOVERNMENT'S POLICY APPROACHES. THOSE REPRESENTATIVES WERE: ICHIRO OZAWA, PRESIDENT OF THE SHINSHINTO (NEW FRONTIER PARTY); TAKU YAMASAKI, CHAIRMAN OF THE LIBERAL DEMOCRATIC PARTY (LDP) POLICY AFFAIRS RESEARCH COUNCIL, AND NAOTO KAN, CO-LEADER OF THE MINSHUTO (DEMOCRATIC PARTY OF JAPAN). IN REFERENCE TO THE SUPPLEMENTARY BUDGET BILL FOR FISCAL 1996 AND THE FISCAL 1997 BUDGET BILL, THE PRIME MINISTER SOUGHT BOTH BUDGET BILLS BE APPROVED AT AN EARLY DATE, REMARKING: "I HOPE THEY WILL BE APPROVED SWIFTLY IN ORDER TO ENHANCE TRUST OF THE JAPANESE ECONOMY WHICH IS NOW PAVING THE WAY FOR AUTONOMIC RECOVERY." HE EXPRESSED HIS INTENTION OF NOT ACCEPTING A WIDE REVISION OF THE BUDGET BILLS AS WAS ASKED BY OZAWA.

IN ADDITION, REGARDING THE CONTINUATION OF SPECIAL TAX CUTS AND AN 18-TRILLION-YEN TAX CUT REQUESTED BY THE SHINSHINTO, THE PRIME MINISTER TURNED DOWN THEIR REQUEST, NOTING: "IF SUCH TAX CUTS ARE DECIDED TO BE IMPLEMENTED, DEFICIT-COVERING GOVERNMENT BONDS WILL BECOME NECESSARY AS FUNDING SOURCES. CONSEQUENTLY, THE NOW-CRITICAL FISCAL CONDITION WILL BECOME EVEN WORSE." AS FOR THE SIX REFORMS ADVOCATED BY THE CABINET, SUCH AS ADMINISTRATIVE AND FISCAL SYSTEMS, THE BANKING SYSTEM AND SOCIAL WELFARE, THE PRIME MINISTER ONCE AGAIN STRESSED HIS DETERMINATION TO CARRY THEM OUT, NOTING: "A GREAT CHANGE IS NECESSARY COVERING THE ENTIRE ECONOMIC AND SOCIAL SYSTEM. WHILE OBTAINING COOPERATION FROM VARIOUS PARTIES AND GROUPS, I WANT TO IMPLEMENT IN A GULP A THIRD REFORM FOLLOWING THE MEIJI RESTORATION AND THE POST-WAR REFORM."

AS FOR STAGNANT STOCK PRICES, HE STATED: "I WILL TAKE

ALL POSSIBLE MEASURES WITHOUT CAUSING ANY INTERRUPTION IN MANAGING THE ECONOMY BY GETTING THE FISCAL 1996 SUPPLEMENTARY BUDGET BILL APPROVED AT AN EARLY TIME AND ALSO BY GETTING THE FISCAL 1997 BUDGET BILL APPROVED WITHIN THIS FISCAL YEAR. IT IS THE RESPONSIBILITY OF POLITICS TO IMPLEMENT AT THE SAME TIME ADMINISTRATIVE REFORM, DEREGULATION, FISCAL RECONSTRUCTION AND ECONOMIC STRUCTURAL REFORM AS PLANNED."

RULING, OPPOSITION PARTIES AGREE TO TAKE VOTE ON SUPPLEMENTARY BUDGET ON JANUARY 29
(TOKYO SHIMBUN - PAGE 2)

DISCUSSING THE HANDLING OF A BILL TO SUPPLEMENT THE FISCAL 1996 BUDGET YESTERDAY IN A DIRECTORS MEETING OF THE LOWER HOUSE BUDGET COMMITTEE, THE RULING AND OPPOSITION PARTIES REACHED AGREEMENT THAT THEY WOULD TAKE A VOTE ON THE BILL ON THE EVENING OF THE 29TH. DELIBERATIONS ON THE BILL WILL TAKE PLACE FOR THREE DAYS STARTING ON THE 27TH ATTENDED BY ALL CABINET MEMBERS FOR OVERALL INTERPELLATION.

REFERRING TO THE SHINSHINTO (NEW FRONTIER PARTY), MINSHUTO (DEMOCRATIC PARTY OF JAPAN) AND TAIYOTO (SUN PARTY) HAVING DECIDED TO PRESENT A JOINT REVISION REQUEST OF THE SUPPLEMENTARY BUDGET BILL TO THE DIET, SECRETARY GENERAL KOICHI KATO OF THE LIBERAL DEMOCRATIC PARTY (LDP) IN A PRESS BRIEFING YESTERDAY REMARKED: "SINCE WE HAVE NOW SUBMITTED THE SUPPLEMENTARY BUDGET BILL AFTER THOROUGH DISCUSSION, WE HAVE NO IDEA FOR REVERSION NOW."

GOVERNMENT TO PRESENT BILL TO DIET THIS FALL FOR STREAMLINING ADVISORY COUNCILS (NIHON KEIZAI - PAGE 2)

PRIME MINISTER RYUTARO HASHIMOTO HAS REACHED A POLICY DIRECTION TO PRESENT A PLAN TO UNIFY MAJOR ECONOMIC-
UNCLAS SECTION 03 OF 06 TOKYO 000538

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 23

RELATED DELIBERATION COUNCILS TO THE EXTRAORDINARY DIET IN THE FALL, INSTEAD OF DOING SO IN THE CURRENT SESSION. THE DECISION WAS MADE IN RESPONSE TO THE ESTABLISHMENT OF THE CONFERENCE ON STRUCTURAL FISCAL REFORM (ZAISEI KOUZOU KAIKAKU KAIGI) ON JANUARY 21, WHICH IS TASKED TO DISCUSS FISCAL RECONSTRUCTION MEASURES UNTIL JUNE. ORIGINALLY,

THE PRIME MINISTER WAS CONSIDERING TO LET A UNIFIED DELIBERATION COUNCIL TO LOOK INTO FISCAL RECONSTRUCTION.

THE PANELS SUBJECT TO UNIFICATION INCLUDE THE ECONOMIC DELIBERATION COUNCIL, FISCAL SYSTEM DELIBERATION COUNCIL, GOVERNMENT TAX SYSTEM RESEARCH COUNCIL, AND SOCIAL WELFARE SYSTEM DELIBERATION COUNCIL. AIMING TO ELIMINATE THE DRAWBACKS OF BUREAUCRATIC SECTIONALISM, THE CONFERENCE ON ADMINISTRATIVE REFORM (GYOUSEI KAIKAKU KAIGI), A FORUM PLACED DIRECTLY UNDER THE PRIME MINISTER, WILL LOOK INTO SPECIFIC WAYS TO UNIFY SUCH COUNCILS ALONG WITH THE STREAMLINING OF CENTRAL GOVERNMENT AGENCIES.

EDUCATION MINISTRY PANEL TO APPOINT FORMER CHAIRMAN OF JAPAN TEACHERS UNION (ASAHI - PAGE 1)

EDUCATION MINISTER TAKASHI KOSUGI DECIDED YESTERDAY TO INCLUDE FORMER JAPAN TEACHERS UNION (NIKKYOSO) CHAIRMAN EIICHI YOKOYAMA AMONG MEMBERS OF THE CENTRAL COUNCIL FOR EDUCATION (CHUKYOSHIN) (ADVISORY PANEL TO THE EDUCATION MINISTER), WHICH IS CHARGED WITH MAPPING OUT BASIC EDUCATION POLICY MEASURES. HE WILL BE FORMALLY APPOINTED AT A MEETING OF THE 16TH CHUKYOSHIN PANEL, WHICH IS TO BE INAUGURATED THIS APRIL. NIKKYOSO AND THE EDUCATION MINISTRY HAD LONG BEEN AT LOGGERHEADS, BUT THE YEAR BEFORE LAST, NIKKYOSO TOOK AN ABOUT-FACE TO EMPLOY A COOPERATIVE POLICY LINE WITH THE MINISTRY. THE APPOINTMENT OF YOKOYAMA IS AIMED AT DEEPENING THEIR COOPERATIVE RELATIONSHIP IN CARRYING OUT EDUCATIONAL REFORM AS THE CABINET IDENTIFIES THE REFORM AS ONE OF THE MOST IMPORTANT TASKS. SUCH AN APPOINTMENT IS UNPRECEDENTED SINCE THE FIRST CHUKYOSHIN WAS LAUNCHED IN 1953, AND REFLECTS CHANGES TAKING PLACE IN THEIR RELATIONS.

THE CURRENT 15TH CHUKYOSHIN PANEL WAS INAUGURATED IN APRIL, 1995, WITH THE TERM DUE TO EXPIRE ON APRIL 9 THIS YEAR. THE COUNCIL IS COMPOSED OF 18 MEMBERS, INCLUDING ACADEMICS, INTELLECTUALS AND BOARD OF EDUCATION MEMBERS, BUT INCLUDE NO REPRESENTATIVE FROM TEACHERS' UNIONS.

THE EDUCATION MINISTER STATED, "WE SHOULD NO LONGER BE SWAYED BY PAST EVENTS. WE WOULD LIKE TO EXCHANGE VIEWS EXTENSIVELY WITH NIKKYOSO. I THINK THE APPOINTMENT OF MR. YOKOYAMA IS APPROPRIATE NOW THAT EDUCATIONAL REFORM WILL BE SET IN MOTION."

SERVING AS CHAIRMAN OF NIKKYOSO FROM SEPTEMBER 1992 THROUGH MARCH 1996, YOKOYAMA FOCUSED HIS EFFORTS ON THE UNION'S SWITCHOVER TO THE POLICY LINE OF COOPERATING WITH THE EDUCATION MINISTRY.

BOJ GOVERNOR: QPRICES NOT AFFECTED BY WEAK YENQ
(SANKEI - PAGE 11)

REFERRING TO THE RECENT CURRENCY EXCHANGE MARKET, WHICH IS DEVELOPING TENDENCY TOWARD A LOWER-YEN TREND, IN A PRESS CONFERENCE ON THE 22ND, GOVERNOR YASUO MATSUSHITA

OF THE BANK OF JAPAN (BOJ) INDICATED A STANCE OF MAINTAINING A WAIT-AND-SEE STANCE, NOTING, "THE VALUE OF THE YEN IS EASING DOWNWARD AT A SLIGHTLY FAST PACE, BUT THE SITUATION IS THAT A RISE IN IMPORTED GOODS IS NOT SO SHARP AS TO PUSH UP DOMESTIC PRICES IN GENERAL TO RISE."

AT THE SAME TIME, HE SHOWED HIS CONCERN OVER THE DROP IN STOCK PRICES, NOTING, "(A FALL IN STOCK PRICES) WILL GIVE RISE TO A DROP IN COMPANIES' LATENT PROFITS AND AN UNCLAS SECTION 04 OF 06 TOKYO 000538

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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.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 23

INCREASE IN THE DEPRECIATION (OF APPRAISAL LOSSES). ITS IMPACT ON THE ONGOING EFFORTS TO LIQUIDATE NON-PERFORMING LOANS AND ACCOUNTS SETTLEMENT CANNOT BE IGNORED."

ASKED ABOUT CONCERN ABOUT THE POSSIBILITY OF SOME FINANCIAL INSTITUTIONS BECOMING CRIPPLED AS A RESULT OF THE JAPANESE VERSION OF THE BIG-BANG DEREGULATION PLAN (REFORM OF THE FINANCIAL SYSTEM), HE RULED OUT ANY POSSIBILITY OF NEW FISCAL OUTLAYS, REASONING, "THE NATION'S FISCAL BASE HAS BEEN EXTENSIVELY IMPROVED THANKS TO THE PASSAGE OF THE SIX FINANCE-RELATED LAWS. EVEN IF A FINANCIAL FAILURE OCCURS, WE CAN WELL COPE WITH IT."

REGARDING ECONOMIC PROJECTIONS, THE GOVERNOR REVEALED HIS STANCE OF MAKING NO CHANGE TO THE CURRENT ULTRA-LOW INTEREST POLICY, BY POINTING OUT, "WHAT HAS BEEN REPORTED IN THE RECENT BRANCH OFFICE MANAGERS' MEETING (OF THE BOJ) HAS SUBSTANTIATED THAT THE JAPANESE ECONOMY IS ON A MILD RECOVERY TRACK."

FINANCE MINISTER: QNO DIVERGENCE IN THE GOVERNMENTQS VIEWQ (SANKEI - PAGE 11)

REFERRING TO HIS OWN STATEMENT OF THE 21ST CLAIMING THAT "THE RECENT LOWER YEN TREND HAS GONE TO FAR," FINANCE MINISTER HIROSHI MITSUZUKA EXPLAINED IN A PRESS BRIEFING HELD YESTERDAY EVENING, "MY BASIC WAY OF THINKING IS THAT NEITHER AN EXCESSIVELY HIGH YEN NOR LOW YEN IS DESIRABLE. I WANTED TO SAY THAT GENERALLY SPEAKING, EXCESSIVE MOVES SHOULD BE HANDLED PROPERLY." HE THEN REJECTED THE VIEW THAT THERE IS A GAP IN GOVERNMENT VIEWS OVER THE CURRENCY EXCHANGE MARKET, UNDERSCORING, "WHAT I SAID IS THE SAME" AS THE STATEMENT MADE (ON THE 21ST) BY PRIME MINISTER

RYUTARO HASHIMOTO, WHO TOOK THE POSITION THAT "I DO NOT THINK THAT (THE CURRENT LOWER YEN TREND) IS EXCESSIVE."

AT THE SAME TIME, IN CONNECTION WITH UNITED STATES CURRENCY OFFICIALS MAKING STATEMENTS SUPPORTING A "STRONGER DOLLAR," THE FINANCE MINISTER REMARKED, "THE G-7 (MEETING OF THE FINANCE MINISTERS AND CENTRAL BANK DIRECTORS OF THE SEVEN INDUSTRIALIZED COUNTRIES) HAS SHOWN UNDERSTANDING TOWARD THOSE STATEMENTS." THE MARKET TOOK THE FINANCE MINISTER'S STATEMENT AS "TOLERATION OF THE LOWER-YEN AND HIGHER-DOLLAR TREND," BUT IT WAS THE REJECTING OF THE OBSERVATION THAT JAPAN ALONE IS ISOLATED FOR ITS SHOWING CONCERN ABOUT A DEPRECIATION OF THE YEN," BY UNDERSCORING THE COOPERATIVE STANCE OF THE G-7.

HOLDING COMPANY BAN: FTC, MITI NERVOUS ABOUT QLIBERALIZATION IN PRINCIPLEQ (NIHON KEIZAI - PAGE 5)

THE FAIR TRADE COMMISSION (FTC) AND THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) ARE NERVOUS ABOUT THE PROPOSED REMOVAL OF THE BAN ON HOLDING COMPANIES, NOTING, "PLEASE DO NOT STRESS THAT (THE CREATION OF HOLDING COMPANIES) WILL BECOME FREE IN PRINCIPLE." ACCORDING TO THE DRAFT PLAN, WHICH IS NOW BEING CONSIDERED BY THE GOVERNMENT, ESTABLISHMENT OF HOLDING COMPANIES "WILL BE LIBERALIZED IN PRINCIPLE" WITH THE EXCEPTION OF CASES WHERE HARMFUL EFFECTS ARE ANTICIPATED, BUT THE TWO MINISTRIES ARE WORRIED THAT IF "FREE IN PRINCIPLE" IS OVERSTRESSED, "IT MIGHT ONCE AGAIN INCUR NEGATIVE REACTIONS FROM THE SOCIAL DEMOCRATIC PARTY (SDP) AND THE JAPANESE TRADE UNION CONFEDERATION (RENGO) EVEN BEFORE GIVING DETAILED EXPLANATIONS." MITI, WHICH IS TAKING THE INITIATIVE IN DRAFTING THE PLAN, IS KEEPING SILENT, FORBIDDING ITS OFFICIALS TO MENTION ANYTHING ON THE MATTER.

FTC CHIEF OF GENERAL SECRETARIAT ITODA HELD A PRESS CONFERENCE YESTERDAY. AVOIDING ANY REFERENCE TO THE GOVERNMENT'S DRAFT PLAN, HE SIMPLY GAVE "STRANGE EXPLANATIONS," "IT IS NEITHER FREE IN PRINCIPLE NOR A BAN UNCLAS SECTION 05 OF 06 TOKYO 000538

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 23

IN PRINCIPLE." LAST YEAR, THE SUBMISSION OF THE BILL SUFFERED A SETBACK WITH THE SDP FIERCELY RESISTING IT IN

ARGUMENTS ON "WHETHER OR NOT THE CREATION OF HOLDING COMPANIES SHOULD BE MADE FREE IN PRINCIPLE."

THE GOVERNMENT'S DRAFT PLAN THIS TIME HAS REVIVED THE IDEA OF "FREE IN PRINCIPLE," WHICH WAS KILLED LAST YEAR. HOWEVER, THE TREND IS MOVING IN A DIRECTION OF FINDING A BREAKTHROUGH, BY MAINTAINING THE BASIC POLICY LINE OF "PLACING A BAN ON HOLDING COMPANIES THAT MAY CAUSE EXCESSIVE CONCENTRATION OF BUSINESS CONTROL POWER" AND CHECKING THE POSSIBLE RESURRECTION OF THE PREWAR ZAIBATSU CONGLOMERATES, WHICH THE SDP IS CONCERNED ABOUT.

HEIGHTENING THEIR SENSE OF ALARM THAT "THE EXIT OF THE TUNNEL IS AT LAST IN SIGHT" (SENIOR MITI OFFICIAL), AND YET "IF THE LABEL INSTEAD OF CONTENTS TAKES ON A LIFE ON ITS OWN, WE WILL LOSE ALL WE HAVE GAINED" (RANKING FTC OFFICIAL), THE FTC AND MITI ARE RUNNING AROUND TO OBTAIN UNDERSTANDING.

GOVERNMENT LIKELY TO TAKE LEGAL STEPS TO CONTINUE LAND LEASES FOR USFJ BASES (NIHON KEIZAI - PAGE 3)

THE TERM OF THE FORCIBLE USE OF SITES FOR UNITED STATES MILITARY BASES WILL EXPIRE ON MAY 14. TO DEAL WITH THAT MATTER, THERE IS A POSSIBILITY OF A LEGISLATION PROBLEM SURFACING. PRIME MINISTER (HASHIMOTO), REPLYING TO QUESTIONS RAISED BY TAKU YAMASAKI (OF THE LIBERAL DEMOCRATIC PARTY (LDP)), EXPRESSED HIS EXPECTATIONS THAT THE (OKINAWA) PREFECTURAL EXPROPRIATION COMMITTEE WOULD QUICKLY DELIBERATE ON THE MATTER, NOTING: "I HOPE THE NECESSARY PROCEDURES WILL BE GOING SMOOTHLY AND SWIFTLY." BUT THE LIKELIHOOD IS THAT SUCH PROCEDURES WILL NOT BE COMPLETED BEFORE THE DEADLINE, SO AN APPLICATION FOR EMERGENCY USE ALSO MAY NOT BE ALLOWED.

IF SUCH A CASE HAPPENS, IT IS EXPECTED THAT REVISING THE LAW WILL BE CONSIDERED IN ORDER TO MAKE UNINTERRUPTED USE OF LAND POSSIBLE, BUT AS TO WHETHER TO TAKE LEGAL ACTION, A CAUTIOUS VIEW IS VOICED IN THE SOCIAL DEMOCRATIC PARTY (SDP) AND OTHER PARTIES IN ADDITION TO OKINAWA PREFECTURE. THE CENTRAL GOVERNMENT WILL LIKELY BE FORCED TO MAKE A RESPONSE UNDER THE DIFFICULT SITUATION.

AT THE LATTER HALF OF THE REGULAR DIET SESSION, THE FOCUS WILL BE ON THE PROBLEM OF REVIEWING JAPAN-U.S. DEFENSE COOPERATION GUIDELINES SINCE THE REVIEW WORK WILL TAKE CONCRETE SHAPE AT THAT POINT. THE PRIME MINISTER EMPHASIZED HE WOULD PROCEED WITH THE REVIEW WORK WITHIN THE FRAMEWORK OF THE CONSTITUTION, AND SHINSHINTO (NEW FRONTIER PARTY) HEAD OZAWA, WHO PROPOSED ESTABLISHING A "SECURITY BASIC LAW," STATED THAT IN HIS VIEW, THE USE OF THE RIGHT TO COLLECTIVE SELF-DEFENSE WOULD NOT BE ALLOWED. BUT IF SPECIFICS COME TO BE DISCUSSED, ONE CANNOT AVOID FACING A DELICATE "GRAY ZONE" IN VIEW OF THE CONSTITUTION.

CHIEF CABINET SECRETARY CALLS FOR OKINAWA TO JOIN FUTENMA RELOCATION TALKS (MAINICHI - PAGE 3)

THE OKINAWA GOVERNMENT HAS REJECTED THE CENTRAL GOVERNMENT'S REQUEST FOR ITS COOPERATION IN A FEASIBILITY STUDY REQUIRED FOR CONSTRUCTING A HELIPORT OFF CAMP SCHWAB (OFF NAGO CITY, OKINAWA) TO REPLACE FUTENMA AIR STATION. IN THIS CONNECTION, CHIEF CABINET SECRETARY SEIROKU KAJIYAMA NOTED IN HIS PRESS MEETING ON THE 22ND: "I HEAR THAT (NAGO CITY) REQUESTED THE OKINAWA GOVERNMENT'S PARTICIPATION IN THE SESSIONS WITH THE CENTRAL GOVERNMENT." HE THUS INDIRECTLY CALLED FOR THE OKINAWA GOVERNMENT'S PARTICIPATION IN THE TALKS WITH NAGO CITY, A PARTY DIRECTLY INVOLVED IN THE RELOCATION PROGRAM, AS ANOTHER KEY PLAYER.

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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 23

THE CHIEF CABINET SECRETARY ALSO REMARKED: "IN SELECTING A NEW HELIPORT SITE, VIEWS FLIP-FLOPPED MANY TIMES, AND THE OKINAWA GOVERNMENT HELD VARIOUS TALKS." THIS COMMENT WAS MADE TO INDICATE THE PERCEPTION THAT OKINAWA'S WILL WAS REFLECTED FULLY IN THE PROCESS OF PRODUCING THE FINAL REPORT (LAST DECEMBER) BY THE JAPAN-U.S. SPECIAL ACTION COMMITTEE ON OKINAWA (SACO). HIS COMMENT SUGGESTED THAT THE OKINAWA GOVERNMENT IS ALSO RESPONSIBLE FOR IMPLEMENTING THE SACO REPORT.

MEANWHILE, MAYOR TETSUYA HIGA OF NAGO CITY, WHICH HOUSES THE CANDIDATE SEA ZONE, HAS BEEN INCREASINGLY BECOMING DISSATISFIED WITH THE OKINAWA GOVERNMENT, WHICH HAS REJECTED THE CENTRAL GOVERNMENT'S REQUEST FOR COOPERATION AND HAS BEEN ACTING LIKE A THIRD PARTY IN REGARD TO THE ALTERNATIVE HELIPORT CONSTRUCTION PROJECT, PERCEIVING, "IN THE INTERNATIONAL CITY FORMATION PROGRAM, COMPILED BY THE CENTRAL GOVERNMENT, THE FUTENMA AIRFIELD RELOCATION PLAN IS ONE OF KEY PROJECTS."

PRIME MINISTER STRESSES NEED TO STUDY EMERGENCIES LEGISLATION (MAINICHI - PAGE 1)

DURING DIET INTERPELLATION AT THE LOWER HOUSE PLENARY SESSION YESTERDAY AFTERNOON, PRIME MINISTER RYUTARO HASHIMOTO, IN REPLY TO SHINSHINTO HEAD ICHIRO OZAWA'S ADVOCACY OF CONDUCTING DEBATE FOCUSING ON A NEW CONSTITUTION, SAID, "IN REVISING THE CONSTITUTION, IT IS

NECESSARY TO PAY ATTENTION TO PUBLIC OPINION, MAKING SURE OF THE TREND OF PUBLIC OPINION." HE ALSO REPLIED, "ANY RESTRICTION MUST NOT BE PLACED ON DEBATE (ON A REVISION OF THE CONSTITUTION)," REVEALING HIS STANCE THAT AN ARGUMENT FOR AMENDING THE CONSTITUTION SHOULD NOT BE VIEWED AS TABOO. REFERRING TO CONTINGENCY LEGISLATION, HE STATED, "STUDYING IT IS NATURALLY NECESSARY," AND ADDED, "SINCE LEGISLATION NEEDS A HIGH-LEVEL POLITICAL JUDGMENT, WE WILL MAKE A JUDGMENT AFTER HOLDING DIET DELIBERATIONS AND TAKING THE TREND OF PUBLIC OPINION INTO CONSIDERATION."

NEW FRONTIER PARTY TO REVIEW BILATERAL DEFENSE COOPERATION (NIHON KEIZAI - PAGE 2)

THE DIETMEN'S LEAGUE ON SECURITY (CHAIRMAN BY KAZUO AICHI), A BODY COMPOSED OF LIKE-MINDED SHINSHINTO (NEW FRONTIER PARTY) MEMBERS, HELD A MEETING ON THE 22ND IN THE DIET. AS A RESULT, THE GROUP DECIDED TO COMPILE BY THIS FALL ITS OWN REVIEW PLAN PERTAINING TO THE JAPAN-U.S. DEFENSE COOPERATION GUIDELINES. MEMBERS WILL MEET ONCE OR TWICE A MONTH TO HEAR VIEWS FROM INTELLECTUALS AS A PROCESS TO COMPILE ITS OWN PACKAGE. CRANE

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RUEAIIA/CIA WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 28

TEXT:
UNCLAS SECTION 01 OF 07 TOKYO 000719

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.

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TOP HEADLINES:

ASAHI: DIETMEMBER TOMOBE WILL BE ARRESTED POSSIBLY
TOMORROW; FIVE EXECUTIVES INCLUDING HIS WIFE ARRESTED ON
CHARGE OF FRAUD RELATED TO ORANGE KYOSAI MUTUAL AID
ASSOCIATION; UPPER HOUSE TO PASS APPROVAL DECISION

NIHON KEIZAI: TO CUT ELECTRICITY CHARGES BY REDUCING
OVERINVESTMENT; MITI, ELECTRIC POWER COMPANIES AIM AT A
20-PERCENT CUT BY 2001; TO CURB CONSTRUCTION OF ELECTRIC

POWER STATIONS

TOKYO SHIMBUN: DIETMEMBER TOMOBE TO BE ARRESTED POSSIBLY TOMORROW ON SUSPICION OF FRAUD INVOLVING ORANGE KYOSAI MUTUAL AID ASSOCIATION; PROSECUTORS WILL SEEK INJUNCTION TODAY; FIVE EXECUTIVES OF ASSOCIATION INCLUDING TOMOBE'S WIFE AND YOUNGER SON ARRESTED; TOKYO METROPOLITAN POLICE DEPARTMENT TO INVESTIGATE HIS MANEUVERING IN POLITICAL CIRCLES

MAINICHI: DIETMEMBER TOMOBE'S WIFE AND OTHERS INVOLVED ARRESTED ON SUSPICIONS OF ORANGE KYOSAI MUTUAL AID ASSOCIATION FRAUD; TO ASK FOR THE LIFTING OF IMMUNITY TOWARD TOMOBE HIMSELF TODAY

YOMIURI: TOMOBE'S WIFE AND FOUR PERSONS INVOLVED ARRESTED IN CONNECTION WITH ORANGE KYOSAI MUTUAL AID ASSOCIATION FRAUD CASE; TOMOBE HIMSELF WILL ALSO BE ARRESTED WITHIN THE WEEK ON CHARGE OF FRAUD; HIS HAVING PLAYED THE LEADING ROLE CONFIRMED

SANKEI: WITH HIS WIFE, YOUNGER SON AND THREE OTHERS INVOLVED ARRESTED IN CONNECTION WITH ORANGE MUTUAL AID ASSOCIATION CASE, DIETMEMBER TOMOBE HIMSELF WILL LIKELY BE ARRESTED TOMORROW; LIFTING OF IMMUNITY FOR HIM TO BE SOUGHT TODAY; INVESTIGATION INTO HOW ENORMOUS AMOUNT OF MONEY WAS USED

LDP IN DIET DEBATES ATTACKS SHINSHINTO FOR CONNECTION WITH ORANGE KYOSAI SCANDAL (MAINICHI - PAGE 2)

THE LOWER HOUSE BUDGET COMMITTEE SESSION KICKED OFF YESTERDAY WITH THE LIBERAL DEMOCRATIC PARTY (LDP), ASSISTED BY THE GOVERNMENT, LAUNCHING AN OFFENSIVE AGAINST THE SHINSHINTO (NEW FRONTIER PARTY) OVER THE ORANGE KYOSAI KUMIAI MUTUAL AID ASSOCIATION SCANDAL.

IN THE SESSION, YUJI YAMAMOTO (LDP) POSED A QUESTION ABOUT THE "ORANGE SCANDAL." IN RESPONSE, HE ELICITED A RESPONSE FROM THE NATIONAL POLICE AGENCY (NPA) THAT THE NPA WAS PLANNING TO MAKE AN INVESTIGATION INTO THE CASE REGARDING UPPER HOUSE MEMBER TATSUO TOMOBE'S INVOLVEMENT.

YAMAMOTO ALSO REFERRED TO A MAGAZINE REPORT THAT "NEARLY 800 MILLION YEN WAS DISTRIBUTED TO THE SHINSHINTO HEADQUARTERS, FORMER PRIME MINISTER MORIHIRO HOSOKAWA, FORMER LOWER-HOUSE MEMBER KEN'ICHIRO HATSUMURA, LOWER-HOUSE MEMBER TATSUO OZAWA, SHINSHINTO PRESIDENT ICHIRO OZAWA, FORMER LOWER-HOUSE MEMBER MASAMI TANABU, AND SHINSHINTO TOKYO METROPOLITAN ASSEMBLY MEMBERS." IN ADDITION, YAMAMOTO REVEALED THE FOLLOWING AS WHAT HE LEARNED DIRECTLY FROM A FORMER ORANGE ASSOCIATION EXECUTIVE: "THE FORMER EXECUTIVE DID NOT DENY THE REPORT. HE TOLD ME THAT SOME OF THEM DID ACTUALLY RECEIVE MONEY." HE ALSO PRODUCED A LETTER DISSEMINATED TO ASSOCIATION MEMBERS. HE THUS UNDERLINED THE SHINSHINTO'S IMAGE THAT ELECTION FUNDS HAVE DEEPLY PERMEATED THE PARTY.

FURTHERMORE, IN CONNECTION WITH TOMOBE'S RANKING OF THE 13TH PLACE IN THE PROPORTIONAL REPRESENTATION PORTION IN THE PREVIOUS UPPER-HOUSE ELECTION, HOME AFFAIRS MINISTER KATSUHIKO SHIRAKAWA REVEALED A VIEW THAT THE PUBLIC UNCLAS SECTION 02 OF 07 TOKYO 000719

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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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OFFICE ELECTION LAW SHOULD BE APPLIED TO THE PROCESS OF DETERMINING CANDIDATES' RANKING IN THE REPRESENTATION PORTION.

MEANWHILE, SHINSHINTO PRESIDENT ICHIRO OZAWA IN ITS FIVE OFFICERS MEETING YESTERDAY INDICATED THE PLAN TO SUE FOR LIBEL THE WEEKLY MAGAZINE THAT REPORTED OZAWA'S INVOLVEMENT.

REPRESENTING THE SHINSHINTO, YONEO HIRATA TOOK UP A MAGAZINE REPORT ON A TRAFFIC ACCIDENT INVOLVING A SOKA GAKKAI MEMBER THAT WAS LATER FOUND OUT TO BE LIBEL, AND ARGUED, "LAST YEAR, AN LDP MEMBER IN A COMMITTEE MEETING ATTACKED OUR PARTY WITH A MAGAZINE REPORT IN HAND. HE SHOULD ADMIT HIS MORAL RESPONSIBILITY AND APOLOGIZE." NEVERTHELESS, THE SHINSHINTO DID NOT TOUCH UPON POLITICAL DONATIONS TO PRIME MINISTER RYUTARO HASHIMOTO FROM A PUBLIC-SERVICE CORPORATION THAT HAS SURFACED IN CONNECTION WITH A GRAFT INVOLVING THE HEALTH AND WELFARE MINISTRY. (KEN YAMADA)

LDPQS YKK GROUP REACTIVATING IN ORDER TO COUNTER CONSERVATIVE-CONSERVATIVE ALLIANCE MOVES (YOMIURI - PAGE 2)

THE YKK TRIO --SECRETARY GENERAL KATO, POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN YAMASAKI AND HEALTH AND WELFARE MINISTER KOIZUMI OF THE LIBERAL DEMOCRATIC PARTY (LDP) -- ARE NOW MANEUVERING ACTIVELY (IN THE DIET). THEY HAVE STRENGTHENED THEIR TIES WITH EXECUTIVE COUNCIL CHAIRMAN MORI AND CONSTRUCTION MINISTER KAMEI. THEY ALSO WILL RESUME THEIR ACTIVITIES AS THE "NEW CENTURY," A GROUP COMPRISING OF MID-LEVEL AND JUNIOR MEMBERS, CENTERING ON THE YKK TRIO. THEIR AIM IS TO PUT A CURB ON THE MOVE BY SENIOR LDP MEMBERS WHO ARE NOW PROBING INTO A POSSIBLE "CONSERVATIVE-CONSERVATIVE ALLIANCE (HO-HO RENGO)" WITH THE SHINSHINTO (NEW FRONTIER PARTY), AT A TIME WHEN

DISCORD HAS APPEARED IN THE THREE-PARTY SETUP OF THE LDP, THE SOCIAL DEMOCRATIC PARTY (SDP), AND SAKIGAKE PARTY.

THE THREE ARE CONSIDERING MEETING ON THE 29TH WITH MORI AND KAMEI, WHO HAVE TAKEN THE INITIATIVE IN FORMING THE LDP-SDP-SAKIGAKE ALLIANCE. SOME SAY THAT THEY ARE LOOKING FOR REGULARIZING THE MEETINGS. WITH AN EYE ON THE STORMY CURRENT DIET SESSION, THEY ARE TRYING TO SOLIDIFY THE LDP LEADERSHIP UNDER KATO, YAMASAKI AND MORI.

BUT SINCE NO FORMER OBUCHI FACTION MEMBER WILL JOIN THEIR MOVE, ONE MEMBER OF THE FORMER OBUCHI FACTION, WHICH SUCCEEDED THE FORMER TAKESHITA FACTION, HAS VOICED CRITICISM THAT "THIS IS AN ANTI-KEISEIKAI (FORMER TAKESHITA FACTION) ENCIRCLEMENT" (SENIOR MEMBER). BECAUSE OF THIS, YAMASAKI SAYS: "I WOULD LIKE TO THINK ABOUT IT ONE MORE DAY AS TO WHETHER TO HOLD A MEETING OR NOT." THERE IS NO DOUBT THAT THE YKK TRIO'S MANEUVERING HAS CREATED A STIR IN THE PARTY.

MEANWHILE, THE GROUP "NEW CENTURY," WHICH HAD SUSPENDED ITS ACTIVITIES LAST SUMMER, WILL MEET AGAIN IN EARLY FEBRUARY. AFTER THAT, THEY INTEND TO EXCHANGE TIES WITH DIETMEMBERS IN THE LDP, AS WELL AS FROM THE MINSHUTO (DEMOCRATIC PARTY OF JAPAN). THEY ALSO PLANS TO DEEPEN RELATIONS WITH THE MINSHUTO AND TAIYO PARTY.

THE REASON FOR SUCH A MOVE IS BECAUSE THEY ARE CLOSELY KEEPING THEIR EYES ON THE SENIOR MEMBER'S MOVE FOR A "CONSERVATIVE-CONSERVATIVE ALLIANCE" WITH THE SHINSHINTO. THEY ESPECIALLY HAVE A HEIGHTENING SENSE OF ALARM REGARDING THE NOTION OF A "GRAND ADMINISTRATIVE-REFORM ALLIANCE," WHICH WAS PROPOSED BY FORMER PRIME MINISTER NAKASONE AND OTHER SENIOR MEMBERS IN ORDER TO STRENGTHEN THE FOUNDATION OF THE HASHIMOTO ADMINISTRATION. THEY
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ARGUE, "THE PLAN IS (REALLY) AIMED AT FORMING AN ALLIANCE WITH THE SHINSHINTO" (MID-LEVEL MEMBER).

KATO, IN HIS SPEECH ON THE 21ST, REMARKED: "SOME SAY THAT FEELING THE DIFFICULTY OF MAINTAINING THE PRESENT THREE-PARTY ALLIANCE, THE LDP WILL SEEK A CONSERVATIVE-

CONSERVATIVE ALLIANCE IN THE END, DESPITE THE GREAT EFFORTS OF THE SECRETARY GENERAL (KATO). BUT BUILDING TRUST RELATIONS WITH THE TWO OTHER PARTIES IS NECESSARY." HIS REMARKS AIMED TO CHECK THE MOVE FOR A "CONSERVATIVE-CONSERVATIVE ALLIANCE."

CHIEF CABINET SECRETARY HIGHLY IRRITATED OVER HAVING TO APOLOGIZE FOR SEX SLAVES REMARK (SANKI - PAGE 3)

CHIEF CABINET SECRETARY SEIROKU KAJIYAMA IS BECOME INCREASINGLY IRRITATED.

HIS OWN REMARK ON THE MILITARY COMFORT WOMEN ISSUE, "IN THE PAST, THERE WAS A SYSTEM OF PUBLIC PROSTITUTION," CAUSED REPUBLIC OF KOREA PRESIDENT KIM YOUNG SAM TO EXPRESS HIS DISPLEASURE. KAJIYAMA YESTERDAY MADE AN APOLOGY FOR MAKING SUCH A REMARK, STATING: "I APOLOGIZE FROM THE BOTTOM OF MY HEART TO THE SOUTH KOREAN PEOPLE FOR HAVING CAUSED A MISUNDERSTANDING." BUT HE THEN STATED: "THERE WOULD BE NO PROBLEM IF (THE ORGANIZED PRESS) RESEARCHED AND WROTE THEIR STORIES PROPERLY, BUT IT IS A GREAT SOURCE OF TROUBLE WHEN REPORTERS WRITE ARTICLES MIXING IN THEIR OWN JUDGMENTS. THERE MAY BE FORCES TRYING TO GRAB A CHANCE TO (WORSEN JAPAN-REPUBLIC OF KOREA (ROK) RELATIONS." HE HAS BEEN KEEPING REPORTERS AT A DISTANCE IN THE PRIME MINISTER'S RESIDENTIAL OFFICE (KANTEI) AND THE DIET BY SURROUNDING HIMSELF WITH HIS SECRETARIES.

KAJIYAMA HAS STATED REPEATEDLY: "WE MUST NEVER CAUSE A WAR AGAIN. IT IS THE RESPONSIBILITY OF PEOPLE OF MY GENERATION TO CONVEY EXACTLY AND CORRECTLY WHAT HAPPENED DURING OUR AGE." HIS CONTROVERSIAL (COMFORT WOMEN) REMARK CAME OUT WHEN HE RELATED TO THE PRESS CORPS IN THE CORRIDORS OF THE PRIME MINISTER'S OFFICIAL RESIDENCE ABOUT HIS "PET OPINION," IN THE WAY OF INTRODUCING THE EXCHANGE OF OPINIONS THAT TOOK PLACE BETWEEN FORMER FOREIGN MINISTER TARO NAKAYAMA AND CHINESE ACADEMICS DURING A RECENT TRIP TO CHINA. AS KAJIYAMA HIMSELF ADMITS "I MENTIONED IT ON THE WRONG DAY," HE UNDENIABLY FAILED TO KEEP IN MIND "TIMING AND PLACE."

IN ADDITION, WHAT HAS FURTHER IRRITATED HIM SEEMS TO BE HIS INABILITY TO DISPEL A RUMOR OF "MARCH CRISIS FOR THE HASHIMOTO ADMINISTRATION," WHICH IS NOW SPREADING.

THE HOSTAGE CRISIS AT THE JAPANESE AMBASSADOR'S RESIDENCE IN PERU HAS BEEN PROLONGED, AND AS IF TO CHIME IN WITH THE GROWING CRITICISM OF PRIME MINISTER RYUTARO HASHIMOTO FOR HIS INABILITY TO DISPLAY LEADERSHIP IN THE FISCAL 1997 BUDGET BILL, JAPAN HAS BEEN HIT BY A FALLING YEN EXCHANGE RATE AND PLUMMETING STOCK PRICES. ACCORDING TO AN LIBERAL DEMOCRATIC PARTY SOURCE, "THE CHIEF CABINET SECRETARY ALSO FEELS HIS RESPONSIBILITY FOR THOSE TWO LOWS." KAJIYAMA WILL LIKELY CONTINUE TO FEEL IRRITATED FOR SOME TIME.

LDP CONSIDERING USE OF PUBLIC MONEY TO LIQUIDATE BAD BANK

LOANS (NIHON KEIZAI - PAGE 1)

MEETING THE PRESS AT THE PARTY HEADQUARTERS ON THE EVENING OF THE 27TH, TAKU YAMASAKI, THE CHAIRMAN OF THE POLICY AFFAIRS RESEARCH COUNCIL OF THE LIBERAL DEMOCRATIC PARTY (LDP) COMMENTED ON MINSHUTO (DEMOCRATIC PARTY OF JAPAN) REPRESENTATIVE NAOTO KAN'S PROPOSAL FOR DISPOSING OF NON-PERFORMING LOANS CARRIED BY FINANCIAL INSTITUTIONS WITH MEASURES THAT INCLUDE THE USE OF FISCAL FUNDS, "IT UNCLAS SECTION 04 OF 07 TOKYO 000719

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IS A VERY IMPORTANT STATEMENT. WE WOULD LIKE TO ONCE AGAIN LOOK INTO FUTURE MEASURES ON THE BAD LOAN PROBLEM." IN HIS COMMENT, HE INDICATED THAT THE LDP WILL SOON LAUNCH STUDIES ON BREAKTHROUGH STRATEGY WITH THE INTRODUCTION OF PUBLIC FUNDING IN SIGHT. YAMASAKI POINTED OUT, "WE ARE LAYING IMPORTANCE ON THE LEVEL OF STOCK PRICES IN THE BOOK-CLOSING MONTH OF MARCH. FOR THAT PURPOSE, WE HAVE TO CONSIDER THE NON-PERFORMING LOANS." TOP-LEVEL OFFICIALS OF BOTH THE RULING AND OPPOSITION BLOCS TOUCHING ON THE POSSIBILITY OF INTRODUCING PUBLIC MONEY IS LIKELY TO HAVE A MAJOR IMPACT ON THE FUTURE COURSE OF THE ISSUE OF DISPOSING OF NON-PERFORMING LOANS.

YAMASAKI NOTED THAT THE IDEA OF THE GOVERNMENT'S USING PUBLIC FUNDS TO HANDLE THE DEFUNCT HOUSING LOAN CORPORATIONS (JUSEN) DREW FIERCE CRITICISM IN LAST YEAR'S REGULAR DIET SESSION NOT ONLY FROM THE OPPOSITION PARTIES BUT ALSO FROM THE RULING PARTIES, BUT AT THE SAME TIME, HE UNDERScoreD, "WE ARE CAUTIOUS ABOUT USING PUBLIC FUNDS, BUT WE CANNOT AFFORD TO TAKE A STANCE OF A SCALDED CAT FEARING COLD WATER."

REGARDING THE ISSUE OF CLEARING UP FAILED FINANCIAL INSTITUTIONS, THE GOVERNMENT AND RULING CAMP HAVE HAD A POLICY LINE OF DEALING WITH SUCH CASES WITH ORDINARY DEPOSIT INSURANCE AND LIMITING THE INTRODUCTION OF PUBLIC MONEY TO (1) JUSEN AMONG NON-BANK FINANCIAL INSTITUTIONS; AND (2) CREDIT ASSOCIATIONS AMONG ORDINARY FINANCIAL INSTITUTIONS.

PRIME MINISTER SAYS FINANCIAL REFORM MAY BE SPEEDED UP (NIHON KEIZAI - PAGE 1)

THE LOWER HOUSE BUDGET COMMITTEE YESTERDAY AFTERNOON CONTINUED ITS QUESTION-AND-ANSWER SESSION REGARDING THE FY1996 SUPPLEMENTARY DRAFT BUDGET. REFERRING TO THE FINANCIAL SYSTEM REFORM PLAN TO BE COMPLETED IN THE YEAR 2001 (JAPANESE VERSION OF THE BIG BANG), PRIME MINISTER RYUTARO HASHIMOTO INDICATED HIS DESIRE TO IMPLEMENT THE PLAN AHEAD OF THE SCHEDULE, NOTING, "WE WILL DEVISE MEASURES, FOLLOWING AN AMENDMENT TO THE FOREIGN EXCHANGE LAW. I WANT TO SPEED UP OUR EFFORT ON THE PLAN AS A WHOLE AS MUCH AS POSSIBLE."

THE SHINSHINTO (NEW FRONTIER PARTY) IS SEEKING TAX BREAKS WORTH 18 TRILLION YEN, BUT THE PRIME MINISTER CRITICIZED SUCH A PROPOSAL, ARGUING, "IF THAT IS CARRIED OUT, IT WILL HAVE TO BE FUNDED BY THE ISSUANCE OF DEFICIT-COVERING GOVERNMENT BONDS. IF WE CARRY OUT A TAX REDUCTION BY ISSUING DEFICIT BONDS, AT WHAT POINT WOULD WE BE ABLE THEN TO CUT OFF THIS VICIOUS CYCLE." HIS STATEMENT WAS MADE IN REPLY TO A QUESTION ASKED BY YOSHIO SUZUKI (SHINSHINTO).

U.S.-JAPAN LIQUOR TAX TALKS RESTART TODAY, WITH TIMING OF CORRECTION THE STUMBLING BLOCK (YOMIURI - PAGE 9)

THE UNITED STATES HAS ASKED THE WORLD TRADE ORGANIZATION (WTO) TO ARBITRATE ITS COMPLAINT ABOUT THE PROGRAM TO CORRECT THE GAPS ON LIQUOR TAX RATES BETWEEN SHOCHU SPIRITS AND OTHER SPIRITS SUCH AS WHISKY THAT JAPAN ANNOUNCED UNDER THE WTO'S INSTRUCTION. IN THIS CONNECTION, JAPANESE AND U.S. WORKING-LEVEL OFFICIALS WILL RESUME THEIR TALKS IN WASHINGTON ON THE 27TH (JAPAN TIME, EARLY MORNING OF THE 28TH). BUT BOTH SIDES REMAIN AT ODDS, JAPAN INSISTING ON CORRECTING THE DIFFERENTIAL BETWEEN THE LIQUOR TAX RATES OVER "FIVE YEARS," WHILE THE U.S. IS INSISTING ON "15 MONTHS." JAPAN WILL PROPOSE A COMPROMISE PLAN, HOPING TO RESOLVE THE ISSUE BILATERALLY WITHOUT SEEKING ARBITRATION BY THE WTO. IT WANTS TO DO THIS BY THE 31ST, THE DAY A BILL AMENDING THE LIQUOR TAX LAW IS TO BE APPROVED BY THE CABINET. HOWEVER, WITH BOTH UNCLAS SECTION 05 OF 07 TOKYO 000719

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SIDES' STANCES REMAINING FAR APART, THE TALKS ARE EXPECTED TO ENCOUNTER DIFFICULTY TO THE FINAL MOMENT.

THE MAJOR FOCUS IN THE TALKS THAT WILL RESUME AFTER A LAPSE OF TWO WEEKS WILL BE ON THE JAPAN-PRESENTED TIME FRAME FOR CORRECTING THE TAX RATE OF SHOCHU SPIRITS.

A SENIOR FOREIGN MINISTRY (MOFA) OFFICIAL SAID, "THE TIMING FOR CORRECTING TAX RATE GAPS HAS BEEN SET AT FIVE YEARS AND THAT IS UNCHANGEABLE. THE KEY POINT IS WHETHER WE WOULD BE ABLE TO COME UP WITH EFFECTIVE MEASURES IN EXCHANGE FOR HAVING THE U.S. APPROVE THE FIVE-YEAR REFORM," HINTING THAT COMPENSATION MEASURES WOULD BECOME THE KEY TO SETTling THE TALKS.

JAPAN PROPOSED DURING THE PAST TALKS SPEEDING UP IMPLEMENTATION OF TAX CUTS ON BOURBON WHISKEY AND WHISKY, OF WHICH THE U.S. AIMS TO INCREASE EXPORTS, AND MOVING UP THE CURRENTLY PLANNED IMPLEMENTATION OF ABOLISHING TARIFFS ON BOURBON WHISKY BY 2004.

JAPAN IS POISED TO RESOLVE THE ISSUE IN THE TALKS STARTING ON THE 27TH, BASED ON SUCH COMPROMISE PROPOSALS THAT WILL BENEFIT THE U.S.

JAPAN'S TAX REFORM PROGRAM PROPOSES THAT JAPAN WILL IMPLEMENT TAX HIKEs ON CLASS-A (OR FIRST-GRADE) SHOCHU AND TAX HIKEs ON WHISKY OVER "23 MONTHS" BY OCTOBER IN 1998 IN TWO STAGES AND TAX INCREASES ON CLASS-B (OR LOW-CLASS) SHOCHU BREWED FROM SUCH MATERIALS AS SWEET POTATOES OVER FIVE YEARS BY OCTOBER IN 2001 IN THREE STAGES.

THE DIFFERENCE IN THE TIMING OF REFORMING TAX RATES ON CLASS-A AND CLASS-B SHOCHU IS DESIGNED TO MITIGATE A MAJOR BLOW TO BE DEALT TO LOCAL SMALL-SIZE BREWERS FOR CLASS-B SHOCHU. GIVEN THE CONSUMPTION TAX HIKE TO FIVE PERCENT STARTING FROM APRIL IN 1997, JAPAN HAD ASSERTED THAT "IT WOULD BE IMPOSSIBLE TO RAISE LIQUOR TAX RATES UNTIL OCTOBER 199."

STILL, THE U.S. REPORTEDLY HAS SHOWN DISSATISFACTION NOT ONLY WITH THE "FIVE YEARS" FOR CLASS-B LIQUOR BUT ALSO THE "23 MONTHS" FOR CLASS-A LIQUOR, CLAIMING THAT JAPAN IS ALLOWING A LONGER TIME FRAME THAN THE 15 MONTHS.

IN CASE THE BILATERAL TALKS END IN RUPTURE, THE WTO IS SCHEDULED TO HAND DOWN A RULING DURING FEBRUARY OR BY THE END OF THE MONTH. AS FOR A WTO RULING, A SENIOR MOFA OFFICIAL NOTES, "A RULING IN FAVOR OF JAPAN IS UNLIKELY."

IN CASE THE WTO URGES JAPAN TO MAKE ANOTHER REVISION IN ITS PROGRAM AND IF IT REFUSES TO DO SO, THE U.S. WILL INVOKE WTO-APPROVED SANCTIONS IN FEBRUARY OR AFTER IN 1998. JAPAN WANTS TO AVOID SUCH SANCTIONS, BUT BOTH SIDES ARE UNABLE TO MAKE EASY CONCESSIONS. THE TALKS TO FIND A WAY TO A SETTLEMENT ARE LIKELY TO BECOME BOGGED DOWN JUST ONE STEP SHORT OF SANCTIONS.

PRIME MINISTER SAYS GOVERNMENT WILL CONTINUE TO ASK

OKINAWA TO COMPLY WITH HELIPORT MOVE (MAINICHI - PAGE 2)

AT THE LOWER HOUSE BUDGET COMMITTEE, THE FISCAL 1996 SUPPLEMENTARY BUDGET BILL WERE DISCUSSED YESTERDAY AFTERNOON. IN THE DISCUSSION, PRIME MINISTER RYUTARO HASHIMOTO TOUCHED ON THE PROBLEM OF CONSTRUCTION OF AN OFFSHORE HELIPORT IN RESPONSE TO THE RETURN OF THE UNITED STATES FORCES' FUTENMA AIR STATION IN OKINAWA AND INDICATED HIS PLAN TO ASK OKINAWA PREFECTURE TO COOPERATE ON THE OCCASION OF A PRELIMINARY SURVEY THAT WILL BE CARRIED OUT OFF CAMP SHWAB LOCATED IN NAGO CITY, NOTING: "I THINK THE PREFECTURAL SIDE'S COOPERATION IS INDISPENSABLE. I WOULD LIKE THE PREFECTURE TO COOPERATE UNCLAS SECTION 06 OF 07 TOKYO 000719

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WITH US WITHOUT FAIL."

REGARDING THE SUPPLEMENTARY BUDGET BILL THAT INCLUDES THE GREAT HANSHIN-AWAJI EARTHQUAKE REHABILITATION EXPENSES AND THE URUGUAY ROUND-RELATED EXPENSES, FINANCE MINISTER HIROSHI MITSUZUKA CLARIFIED HIS INTENTION NOT TO ACCEPT DEMANDS FOR REVISIONS AS ARE SHOWN BY THREE OPPOSITION PARTIES, SUCH AS THE SHINSHINTO (NEW FRONTIER PARTY), EXPLAINING: "THE POLITICAL THINKING IS THAT IT IS NOT THAT DISASTERS BEFALL US WHEN WE LEAST EXPECT THEM BUT THAT THEY BEFALL US ONE AFTER ANOTHER. AS FOR THE URUGUAY ROUND MEASURES, THE DECISION WAS MADE THREE YEARS AGO."

CONSTRUCTION MINISTER SHIZUKA KAMEI INDICATED HIS IDEA OF SLICING COSTS BY CHANGING THE PRESENT CONTRACT SYSTEM, UNDER WHICH THE HOUSING AND URBAN DEVELOPMENT CORPORATION HAS CONCLUDED A CONTRACT WITH ONLY RELEVANT FIRMS, A VOLUNTARY CONTRACT, TO A BIDDING SYSTEM SO THAT OTHER FIRMS CAN PARTICIPATE.

IWAKUNI MAYOR TO ANNOUNCE TODAY ACCEPTANCE OF TROOP TRANSFER FROM FUTENMA AIR STATION (YOMIURI - PAGE 2)

THE JAPANESE AND U.S. GOVERNMENTS HAVE NOW AGREED TO REASSuQ/F|bQC`@lQYOSHIMITSU KIFUNE, IS GOING TO CLARIFY A STANCE OF ACCEPTING THE UNIT'S REASSIGNMENT TO IWAKUNI. IT IS PREMISED ON THE GOVERNMENT'S TAKING MEASURES TO A CERTAIN EXTENT, AND THE MAYOR IS EXPECTED TO MAKE A FINAL

DECISION IN FEBRUARY AT THE EARLIEST AFTER COORDINATION WITH THE YAMAGUCHI PREFECTURAL GOVERNMENT AND THE NEIGHBORING TOWN OF YU.

THE CITY HAS SO FAR PREMISED ITS ACCEPTANCE OF SUCH A REASSIGNMENT OF TROOPS ON NO FUNCTIONAL EXPANSION OR BUILDUP OF IWAKUNI AIR STATION, AND HAS MADE A 9-POINT REQUEST TO THE GOVERNMENT, INCLUDING SUCH MEASURES AS COMPLETING THE BASE RUNWAY OFFSHORE EXTENSION WORK AT AN EARLY DATE AND HAVING A PORTION OF THE BASE SITE RETURNED. THE MAYOR WILL PRESUMABLY REPORT THAT HE HAS JUDGED THAT THE PROPOSED REASSIGNMENT WOULD NOT LEAD TO ANY EXPANSION OR REINFORCEMENT OF BASE FUNCTIONS WHEN JUDGING FROM SUCH FACTORS AS THE GOVERNMENT'S RESPONSE TO THE CITY'S REQUEST. THE PROBLEM OF RELOCATING THE FUTENMA AIRFIELD'S FUNCTIONS, WHICH SURFACED IN FEBRUARY LAST YEAR, WILL BE AT A MAJOR TURNING POINT. MEANWHILE, HOWEVER, THE CITY'S MUNICIPAL ASSEMBLY HAS ADOPTED A RESOLUTION AGAINST THE PLANNED REASSIGNMENT, AND NEGATIVE REACTIONS ARE ALSO EXPECTED.

UNIFORMED OFFICER ADDED TO CABINET SECURITY ROOM TO STRENGTHEN CRISIS MANAGEMENT FUNCTION (SANKI - PAGE 1)

AS DIRECTED BY PRIME MINISTER RYUTARO HASHIMOTO, THE JAPAN DEFENSE AGENCY HAS DISPATCHED AS OF JANUARY 27 A UNIFORMED STAFF OFFICER OF THE SELF-DEFENSE FORCES TO THE CABINET SECURITY AFFAIRS OFFICE (CSAO), WHICH IS TO SERVE AS THE CORE OF THE GOVERNMENT'S CRISIS MANAGEMENT SYSTEM.

THE MOVE IS AIMED AT BEEFING UP THE CABINET'S CRISIS MANAGEMENT READINESS, AND THE GOVERNMENT JUDGED THAT THE CSAO NEEDS TO BE STAFFED WITH AN SDF OFFICER HAVING EXPERTISE ON SDF CONTINGENT OPERATIONS AND OTHER ACTIVITIES PARTLY IN ORDER TO WORK OUT THE GOVERNMENT'S "COUNTERMEASURES FOR CRITICAL SITUATIONS" WITH CONSIDERATION BEING GIVEN TO A POSSIBLE CRISIS OR
UNCLAS SECTION 07 OF 07 TOKYO 000719

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 28

CONFLICT ON THE KOREAN PENINSULA AS NOW BEING STUDIED BY THE CSAO.

THE SDF OFFICER SENT ON LOAN TO THE CSAO, WHICH USED TO BE MADE UP OF CIVILIAN OFFICIALS FROM THE GOVERNMENT

MINISTRIES AND AGENCIES CONCERNED, IS THE MARITIME SELF-DEFENSE FORCE'S COMMANDER TETSURO DOSHITA, WHO WAS ASSIGNED TO JDA'S JOINT STAFF COUNCIL JOINT STAFF OFFICE J5. THE PERSONNEL ACTION WAS OFFICIALLY ANNOUNCED ON JANUARY 24, AND HE IS CONCURRENTLY ASSIGNED ALSO TO THE JDA DEFENSE POLICY BUREAU DEFENSE POLICY DIVISION.

FOR THE PRESENT, THE MSDF COMMANDER, AS AN ASSISTANT TO A CABINET COUNCILLOR SECONDED FROM A JDA INTERNAL BUREAU, IS EXPECTED TO GIVE ADVICE ON CSAF PLANS AND ENGAGE IN COORDINATION AMONG THE GOVERNMENT MINISTRIES AND AGENCIES CONCERNED WHILE MAKING USE OF HIS EXPERTISE ON SDF OPERATIONS AND EQUIPMENT.

THE PLAN TO ENHANCE THE GOVERNMENT'S CRISIS MANAGEMENT SETUP HAS NOW COME UP AS AN IMPORTANT POLICY TASK SINCE IT WAS UNDER FIRE FOR A DELAY IN ITS TAKING OF INITIAL ACTION IN THE GREAT HANSHIN-AWAJI EARTHQUAKE DISASTER. HOWEVER, THE GOVERNMENT'S READINESS IS NOW AGAIN SAID TO HAVE BEEN INSUFFICIENT DUE TO SUCH EVENTS AS THE OCCURRENCE OF THE GUERRILLA SEIZURE OF THE JAPANESE AMBASSADOR'S RESIDENCE IN PERU IN DECEMBER LAST YEAR AND THE ACCIDENTAL SPILL OF CRUDE OIL (FROM A WRECKED RUSSIAN TANKER IN THE SEA OF JAPAN).

IN VIEW OF SUCH CIRCUMSTANCES, PRIME MINISTER HASHIMOTO ORDERED JDA AT THE END OF LAST YEAR THROUGH THE CSAO TO SEND SDF PERSONNEL TO THE CSAO, REASONING: (1) THE CSAO IS AN ORGANIZATION TO SERVE AS THE CORE OF THE GOVERNMENT'S ACTUAL ARRANGEMENTS FOR CRISIS MANAGEMENT, AND IT IS APPROPRIATE TO ASSIGN SDF PERSONNEL TO THE CSAO; AND (2) SDF PERSONNEL'S SPECIAL KNOW-HOW IS NECESSARY FOR STUDIES ON SUCH EMERGENCY COUNTERACTIONS AS CONDUCTING RESCUE OPERATIONS FOR JAPANESE NATIONALS ABROAD AND TAKING BACKUP MEASURES FOR THE U.S. (IN TIMES OF EMERGENCY).

IN RESPONSE, JDA AND CSAO HELD CONSULTATIONS. CONSEQUENTLY, JDA DECIDED TO ASSIGN A PERSON AT THE DIVISION ASSISTANT DIRECTOR LEVEL (EQUIVALENT TO THE RANK OF LIEUTENANT COLONEL IN THE GSDF AND ASDF OR COMMANDER IN THE MSDF) WHO IS WELL EXPERIENCED IN SUCH ACTUAL FIELD ACTIVITIES AS DISASTER RELIEF OPERATIONS AND IS FAMILIAR WITH SDF CONTINGENT OPERATIONS. CRANE

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SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 29
TEXT: UNCLAS SECTION 01 OF 08 TOKYO 000766

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 29

TOP HEADLINES:

ASAHI: EDUCATION MINISTRY INSTRUCTED FOUR PRIVATE
UNIVERSITIES TO CHANGE WORDING ON THEIR PROJECT PLAN FROM
"COMPLETION IN NEXT FISCAL YEAR" TO "BY END OF THIS
FISCAL YEAR"; FOR PURPOSE OF USING UP SUBSIDIES

NIHON KEIZAI: NKK WILL PUT ITS BLAST FURNACE BACK ON
OPERATIONAL TRACK; TO DEVIATE FROM COOPERATIVE LINE; ITS
FUKUYAMA STEEL WORKS EXPECTED TO OPERATE SUCH FURNACE

PROBABLY WITHIN FISCAL 1998; FOR PRODUCTION INCREASE
AIMED AT EXPORTS TO ASIA; DOMESTIC PRODUCTION CAPACITY
WILL EXPAND FOR FIRST TIME IN 25 YEARS

TOKYO SHIMBUN: NONPROFIT ORGANIZATIONS DONATED 600
MILLION YEN (IN POLITICAL CONTRIBUTIONS); CLOSE TIES WITH
POLITICIANS DESPITE CRITICISM; LDP AS TOP RECIPIENT WITH
400 MILLION YEN IN DONATIONS (TRANSLATION BELOW)

MAINICHI: ORANGE MUTUAL AID ASSOCIATION SCAM: HOW 3.2
BILLION YEN WAS USED REMAINS UNKNOWN; FOCUS NOW ON FLOW
OF MONEY TO POLITICAL WORLD; LAWMAKER TOMOBE TO BE
ARRESTED TODAY

YOMIURI: ALLEGED ORANGE MUTUAL AID ASSOCIATION FRAUD:
"DIETMEMBER TOMOBE'S MANAGING ENTIRE BUSINESS OPERATION"
RECOGNIZED; INVESTIGATORS WILL ARREST HIM TODAY

SANKEI: DIETMEMBER TOMOBE WILL BE ARRESTED TODAY ON
CHARGE OF ORANGE MUTUAL AID ASSOCIATION FRAUD; HE
CONCLUDED AS SUPERVISOR OF ENTIRE BUSINESS IN EFFECT;
UPPER HOUSE WILL GIVE APPROVAL THIS MORNING

JAPAN CONCERNED ABOUT PERUVIAN GOVERNMENT'S NEW TACTICS
IN HOSTAGE STANDOFF (SANKEI - PAGE 2)

(LIMA, JANUARY 28, SUMIO YAMAGIWA) PRIME MINISTER
RYUTARO HASHIMOTO'S REPEATED MANIFESTATIONS OF CONCERN
ABOUT ACTIONS TAKEN BY THE PERUVIAN GOVERNMENT TOWARD THE
HOSTAGES CRISIS AT THE JAPANESE AMBASSADOR'S OFFICIAL
RESIDENCE IS HAVING A DELICATE EFFECT ON THE PERUVIAN
GOVERNMENT, WHICH IS TRYING TO SETTLE THE INCIDENT.
CRITICISM IS BEGINNING TO BE HEARD HERE IN PERU THAT
ALTHOUGH (PRIME MINISTER HASHIMOTO) HAS ANNOUNCED TOTAL
SUPPORT TO THE PERUVIAN GOVERNMENT, HE HAS BEEN POKING
HIS NOSE INTO THE PERUVIAN SIDE'S EFFORTS, GOING AGAINST
HIS PROMISE.

ON THE 27TH, SPEAKING OF THE PERUVIAN GOVERNMENT'S
STEPPING UP ITS MILITARY PRESSURE ON THE ARMED REBELS,
THE PRIME MINISTER COMMENTED: "MY CONCERN IS WHAT EFFECT
THERE WILL BE ON THE HOSTAGES. I HOPE IT WILL NOT GO TOO
FAR."

ADDITIONALLY, ON THE 28TH, THE PRIME MINISTER REMARKED:
"I AM WORRIED THAT THE TERRORIST SIDE, SUSPECTING A TASK
FORCE MAY TAKE ACTION, IS BECOMING MORE IRRITATED."

WHILE HASHIMOTO WAS JUST EXPRESSING HIS FEELINGS, SINCE
THE REMARKS CAME FROM THE PRIME MINISTER, THEY NO DOUBT
HAVE PUT THE PERUVIAN GOVERNMENT IN A BIND. IN ADDITION,
ON THE 21ST AND THE 25TH, JAPAN, FOLLOWING THE PRIME
MINISTER'S DESIRE, REITERATED ITS CONCERN OVER MILITARY
FORCE AND (PERU'S) STRAINED RELATIONS WITH THE
INTERNATIONAL RED CROSS COMMITTEE.

EDITORIAL WRITER UGO GERA (PHONETIC) OF COMERCIO
(PHONETIC), A MAJOR LOCAL PAPER, COMMENTS: "THE RECENT

MOVES OF THE POLICE ARE PROBABLY FOR ENTICING ARMED REBELS INTO ACCEPTING NEGOTIATIONS, SO THEY WILL BE LIMITED. PRESUMABLY BECAUSE AVAILABLE INFORMATION IS INSUFFICIENT IN JAPAN, CONCERNS ARE VOICED IN VARIOUS WAYS, BUT YOU SHOULD ALWAYS REMEMBER THAT THE TUPAC AMARU UNCLAS SECTION 02 OF 08 TOKYO 000766

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 29

REVOLUTIONARY MOVEMENT (MRTA) IS A TERRORIST GROUP. IF YOU PROMISED TO GIVE TOTAL SUPPORT TO PRESIDENT FUJIMORI, IT IS WISE FOR YOU TO KEEP SILENT."

PRESIDENT FUJIMORI INDICATED HIS STRONG DISPLEASURE TOWARD JAPAN'S EXPRESSION OF CONCERN THAT "WE ARE WORRIED ABOUT THE OCCURRENCE OF AN UNFORESEEN ACCIDENT." BUT LATER DURING HIS VISIT TO BOLIVIA HE DISPLAYED HIS CONSIDERATION FOR JAPAN BY EXPRESSLY REFERRING TO HIS TELEPHONE CONVERSATION WITH PRIME MINISTER HASHIMOTO, ADDING, "AS I HAVE TOLD PRIME MINISTER HASHIMOTO, I WILL PURSUE A PEACEFUL SETTLEMENT TO THE LAST MOMENT. IF I HAVE TO TAKE A FORCIBLE ACTION AT THE FINAL STAGE, I WILL CONSULT WITH JAPAN." ALTHOUGH PRESIDENT FUJIMORI MENTIONED A PEACEFUL SETTLEMENT, HE HAS NO INTENTION WHATEVER OF ACTING AS HE IS TOLD BY GUERRILLAS.

THE PRESIDENT'S POSITION IS TO HAVE THE TERRORIST SIDE RELEASE HOSTAGES WITHOUT ACCEPTING THE DEMAND BY THE TERRORIST SIDE, WHICH, PROPERLY SPEAKING, SHOULD BE ARRESTED AND BROUGHT TO COURT, REGARDING RELEASE OF THEIR COMRADES NOW SERVING IN PRISON AS WELL AS WITHOUT PAYING ANY RANSOM. IF THINGS GO WELL, HE WILL TRY TO LET REBELS SURRENDER TO POLICE.

THE REASON WHY THE INTERNATIONAL COMMUNITY, BEGINNING WITH THE UNITED STATES, HAS SUPPORTED PRESIDENT FUJIMORI IS BECAUSE HE HAS TAKEN A STANCE OF MAKING NO CONCESSION TO TERRORISTS. IT HOPES HE WILL ACT THAT WAY IN DEALING WITH THE INCIDENT THIS TIME. JAPAN'S REPEATED EXPRESSION OF CONCERN IS THUS OBVIOUSLY DIFFERENT FROM INTERNATIONAL COMMON SENSE.

PRIME MINISTER HASHIMOTO TELEPHONES PRESIDENT FUJIMORI TO URGE FULL CONSIDERATION BE GIVEN (SANKEI - PAGE 2)

PRIME MINISTER RYUTARO HASHIMOTO DISCUSSED WITH PERUVIAN

PRESIDENT FUJIMORI OVER THE PHONE YESTERDAY. REFERRING TO THE HOSTAGES INCIDENT AT THE JAPANESE AMBASSADOR'S RESIDENCE, THE PRIME MINISTER SAID: "I UNDERSTAND THE NECESSITY OF STEPPING UP SECURITY NEAR THE RESIDENCE, BUT I WOULD LIKE YOU TO GIVE THOROUGH CONSIDERATION TO AVOID CAUSING AN UNEXPECTED ACCIDENT."

AS FOR THE FIRING BY ARMED REBELS NOW STATIONED IN THE RESIDENCE AGAINST THE PERUVIAN TASK FORCE YESTERDAY MORNING (AFTERNOON OF THE 27TH, LOCAL TIME) WHEN IT WAS PARADING IN FRONT OF THE RESIDENCE WITH LOUD SOUNDS, PRIME MINISTER HASHIMOTO VOICED HIS WORRY: "I HAVE MISGIVINGS THAT THE TERRORIST SIDE MAY BECOME MUCH MORE IRRITATED."

NORTH KOREAN OFFICIAL TO VISIT JAPAN ON 30TH; LDP NERVOUS THAT MEETING HIM COULD UPSET ROK (YOMIURI - PAGE 5)

KOREAN WORKERS' PARTY SECRETARY HWANG JANG HWA OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA) WILL COME TO JAPAN ON THE 30TH. AIMING AT RESUMING DIPLOMATIC NORMALIZATION TALKS WITH NORTH KOREA, LIBERAL DEMOCRATIC PARTY POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN YAMASAKI IS SHOWING A LINGERING DESIRE FOR A MEETING WITH THE SECRETARY. BUT HE IS NOW HAVING A DIFFICULT TIME OVER DEALING WITH THAT MATTER FOR THE REPUBLIC OF KOREA (ROK) HAS BEEN NERVOUS ABOUT JAPAN'S APPROACH TO NORTH KOREA. THE ROK SIDE ASCERTAINED JAPAN'S RESPONSE TO SECRETARY HWANG DURING THE SUMMIT MEETING HELD ON THE 25TH AND IN THE FOREIGN MINISTERIAL TALKS.

SECRETARY HWANG, WHO IS RESPONSIBLE FOR INTERNATIONAL AFFAIRS, WILL VISIT JAPAN TO ATTEND A SYMPOSIUM SPONSORED BY A PRIVATE ORGANIZATION STARTING ON FEBRUARY 7 IN TOKYO. A SOURCE CONCERNED STRESSED: "THERE IS ABSOLUTELY NO POLITICAL AIM IN SECRETARY HWANG'S JAPAN UNCLAS SECTION 03 OF 08 TOKYO 000766

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 29

VISIT." HOWEVER DIETMEMBERS FROM BOTH THE RULING AND OPPOSITION PARTIES ARE INCLUDED IN THE LIST OF THE SYMPOSIUM'S EXECUTIVE COMMITTEE MEMBERS. SO HWANG REPORTEDLY HAS SOUNDED OUT THE POLITICAL PARTIES' LEADERS INCLUDING YAMASAKI AND SOCIAL DEMOCRATIC PARTY (SDP) CHAIRPERSON DOI ON THE POSSIBILITY OF MEETINGS DURING HIS

STAY IN JAPAN.

DIFFERENTIATING BETWEEN THE GOVERNMENT AND THE LDP, YAMASAKI HAS EXPRESSED HIS STRONG DESIRE FOR TALKS WITH SECRETARY HWANG, NOTING "THIS YEAR IS A CRUCIAL YEAR FOR RESTARTING JAPAN-NORTH KOREA NORMALIZATION TALKS." IT IS SAID THE ROK GOVERNMENT IS CONCERNED THAT THE NORTH MAY ASK JAPAN FOR MORE FOOD AID. IN ADDITION, WHEN LDP SECRETARY GENERAL KATO TRAVELED TO THE ROK EARLIER THIS MONTH, ROK PRESIDENT KIM YOUNG SAM REMINDED HIM OF (JAPAN-ROK COOPERATION), SAYING "JAPAN AND THE ROK SHOULD HAVE CLOSE CONTACTS BEFORE AND AFTER EVENT OCCURRING (REGARDING JAPAN-NORTH KOREA RELATIONS)."

IN THE RECENTLY HELD JAPAN-ROK SUMMIT MEETING, PRIME MINISTER HASHIMOTO DID NOT DENY THERE WERE CONTACTS WITH PARTY OFFICIALS (OF NORTH KOREA). THEREFORE, YAMASAKI INTENDS TO MAKE A FINAL JUDGMENT AFTER WATCHING A RESULT OF A BRIEFING ON THE PROPOSAL FOR THE FOUR-WAY PARTY PEACE TALKS, WHICH WILL BE HELD IN NEW YORK ON FEBRUARY 5.

ORANGE KYOSAI KUMIAI SCANDAL COULD FURTHER SPLIT THE SHINSHINTO (MAINICHI - PAGE 2)

IN RESPONSE TO THE REQUEST FOR AN ARREST WARRANT AGAINST UPPER-HOUSE MEMBER TATSUO TOMOBE (WHO HAS ALREADY LEFT THE SHINSHINTO) IN CONNECTION WITH THE ORANGE KYOSAI KUMIAI (A MUTUAL BENEFIT SOCIETY) FRAUD SCHEME, THE SHINSHINTO (NEW FRONTIER PARTY) YESTERDAY REQUESTED THROUGH THE UPPER HOUSE'S HEISEIKAI (COMPOSED OF THE SHINSHINTO AND KOMEI) THAT THE UPPER HOUSE PRESIDENT MAKE A RESOLUTION CALLING ON TOMOBE TO RESIGN. THE SHINSHINTO'S RESEARCH PROJECT TEAM (CHAIRIED BY EXECUTIVE COUNCIL CHAIRMAN TAKENORI KANZAKI), ESTABLISHED IN THE PARTY LATE LAST YEAR, HAS BEEN LOOKING INTO TOMOBE'S MANEUVERING TO RAISE HIS RANKING IN THE CANDIDATES' LIST FOR THE PROPORTIONAL REPRESENTATION PORTION IN THE 1995 UPPER HOUSE ELECTION. IN THE PROCESS, THE PROJECT TEAM OFTEN DISPLAYED ITS DESIRE TO JUMP TO THE CONCLUSION THAT "NO WRONGDOING WAS FOUND." AS A RESULT, ON VIEW NOW BEING HEARD IN THE PARTY IS: "OUR SELF-CLEANSING ABILITY AS A 'REFORM PARTY' IS BEING CALLED INTO QUESTION" (JUNIOR MEMBER).

KANZAKI, WHO REVEALED WHAT THE PROJECT TEAM ACHIEVED, ALSO INDICATED THAT THE TEAM INTERVIEWED TOMOBE LAST WEEK. SPECIFICALLY, KANZAKI REVEALED THE FOLLOWING AS THE CONTENTS OF WHAT THE TEAM LEARNED FROM TOMOBE: 1) NO ILLEGAL CONDUCT WAS CARRIED OUT; 2) MONEY WAS NOT INVOLVED; AND 3) HAD NO PREVIOUS KNOWLEDGE OF 30 MILLION YEN THAT WAS ALLEGEDLY TO HAVE BEEN HANDED TO (FORMER LOWER-HOUSE MEMBER KEN'ICHIRO) HATSUMURA LAST JUNE. THUS, THE SHINSHINTO UNDERLINED ITS STANCE TOWARD ELUCIDATING TRUTH.

SECRETARY GENERAL TAKEO NISHIOKA AND OTHERS LAST SEPTEMBER, BEFORE THE GENERAL ELECTION, BEGUN TO

INVESTIGATE INTO THE SCANDAL INVOLVING TOMOBE, AND IN THE PROCESS, THEY INTERVIEWED TOMOBE AND OTHER RELEVANT MEMBERS. AT AN EARLY STAGE, THEY REACHED A CONCLUSION THAT "THE SCANDAL HAS NOTHING TO DO WITH THE PARTY HEADQUARTERS" (LEADERSHIP). THERE WERE LEANING TOWARD THE FINAL CONCLUSION THAT THE RESPONSIBILITY LIES ON THE SIDE OF THE FORMER JAPAN NEW PARTY AND HATSUMURA WHO RECOMMENDED TOMOBE FOR THE UPPER HOUSE ELECTION.

UNCLAS SECTION 04 OF 08 TOKYO 000766

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 29

SHINSHINTO EXECUTIVES IN A PRESS MEETING AFTER MAKING THE REQUEST FOR AN ARREST WARRANT STRESSED ONE AFTER ANOTHER, "RANKINGS IN THE CANDIDATES' LIST IN THE PROPORTIONAL REPRESENTATION PORTION ARE DETERMINED BASED ON THE STRENGTH OF EACH PARTY OR GROUP BEFORE MERGING INTO THE SHINSHINTO. ALTERING IT IS JUST NOT POSSIBLE" (UPPER HOUSE SECRETARY GENERAL SHIGETO NAGANO). THEY EXPLAINED IN UNISON THAT THERE IS NO PROBLEM IN THE RANKING DETERMINING SYSTEM ITSELF. NEVERTHELESS, THAT DOES NOT MEAN THAT ALLEGED FUNDS INFLOW TO PARTY EXECUTIVES ARE CLEARED UP.

DISCORD RESULTING FROM AN SENSE OF CAMARADERIE OF PREVIOUS PARTIES OR GROUPS IS EVIDENT IN THE SHINSHINTO. THE LEADERSHIP THINKS, "WE CANNOT ZERO IN ON JUST THE FORMER JAPAN NEW PARTY THAT INCLUDES (FORMER PRIME MINISTER MORIHIRO) HOSOKAWA" (SENIOR MEMBER). THE REASON IS BECAUSE "DENOUNCING" ONE PARTICULAR GROUP MAY ACCELERATE THE BREAK-UP OF THE PARTY. THE WEAKNESS OF THE PATCHWORK PARTY HAS BEEN REVEALED BY THE TOMOBE CASE. NATURALLY, "THE PARTY SHOULD FEEL RESPONSIBLE FOR ITS HAVING GIVEN ENDORSEMENT TO (TOMOBE)" (NISHIOKA). THE PARTY'S SELF-PURIFICATION ABILITY WILL BE TESTED. (KATSUYOSHI KIYOMIYA)

LDP GOT 400 MILLION YEN IN CONTRIBUTIONS FROM NONPROFIT ORGANIZATIONS (TOKYO SHIMBUN - TOP PLAY)

IT WAS LEARNED YESTERDAY THAT OF THE NONPROFIT ORGANIZATIONS (KOUKEI HOJIN) ACROSS THE NATION THAT RECEIVE FAVORABLE TAX TREATMENT, 346 ENTITIES, INCLUDING JURIDICAL CORPORATIONS (SHADAN HOJIN) AND FOUNDATIONS (ZAIDAN HOJIN), HAD GIVEN 607.69 MILLION YEN IN

DONATIONS TO POLITICAL GROUPS OR PARTIES AND TO DIETMEMBERS IN 1995. THERE HAS BEEN SWIRLING CRITICISM RECENTLY OF NONPROFIT GROUPS, AND THE FUTURE OF SUCH ENTITIES HAS BECOME A MAJOR THEME IN ADMINISTRATIVE AND FISCAL REFORMS, SOME POINTING OUT NONPROFIT BUSINESSES HAVE BECOME THE LANDING PLACES FOR RETIRED AMAKUDARI OFFICIALS AND AS A COVER FOR TAX EVASION. OTHERS HAVE BLASTED SUCH ORGANIZATIONS, FOCUSING ON THEIR MONOPOLISTIC BUSINESS AS AGENTS FOR ADMINISTRATIVE WORK. THEIR CLOSE TIES WITH POLITICS BY OFFERING LARGE AMOUNTS OF DONATIONS COULD DAMPEN THE ADMINISTRATION'S DRIVE FOR FUNDAMENTAL REFORMS. THIS ISSUE IS LIKELY TO GIVE RISE TO MUCH CONTROVERSY.

ACCORDING TO A BALANCE SHEET ON POLITICAL FUNDS FOR FY1995 (SUBMITTED TO THE MINISTRY OF HOME AFFAIRS), POLITICAL DONATIONS BY NONPROFIT ORGANIZATIONS TOTALED 559.37 MILLION YEN, WITH 473.17 MILLION YEN GOING TO THE NATIONAL POLITICAL ASSOCIATION (KOKUMIN SEIJIKYOKAI), A FUND RAISING ORGANIZATION OF THE LIBERAL DEMOCRATIC PARTY (LDP), FOLLOWED BY 74 MILLION YEN TO THE REFORM NATIONAL COUNCIL (KAIKAKU KOKUMIN KAIGI) OF THE OPPOSITION PARTY SHINSHINTO. DONATIONS TO INDIVIDUAL DIETMEMBERS' SUPPORT GROUPS MANAGING THEIR POLITICAL FUNDS CAME TO 48.32 MILLION YEN. IT HAS BEEN FOUND THAT IN MOST CASES, A FUND CONTRIBUTION IN UNIT OF 100,000 YEN WAS EXTENDED TO GROUPS IN DIETMEMBERS' ELECTORAL DISTRICTS, BUT THERE ARE A NUMBER OF CASES OF DONATIONS FROM SPECIFIC INDUSTRIAL GROUPS THAT HAVE DEEP TIES WITH THE ZOKU OR LDP POLICY CLIQUES ASSOCIATED WITH THE CONSTRUCTION MINISTRY, THE TRANSPORT MINISTRY, OR THE MINISTRY OF HEALTH AND WELFARE.

BROKEN DOWN BY TYPE OF ENTITY, JURIDICAL CORPORATIONS STOOD AT THE TOP ON THE SHEET, WITH 584.4 MILLION YEN BY 235 SUCH CORPORATIONS, INCLUDING LOCAL BRANCHES, FOLLOWED BY JURIDICAL FOUNDATIONS WITH 15.96 MILLION YEN, SCHOOL CORPORATIONS WITH 6.01 MILLION YEN, SOCIAL WELFARE CORPORATIONS WITH 910,000 YEN AND RELIGIOUS CORPORATIONS WITH 410,000 YEN.

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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 29

TO LOOK AT THE NAMES OF THE ORGANIZATIONS, JAPAN

ELECTRICAL MANUFACTURERS' ASSOCIATION RANKED FIRST, REGISTERING 99 MILLION YEN, FOLLOWED BY JAPAN IRON AND STEEL FEDERATION (84.5 MILLION YEN) AND JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION (82.8 MILLION YEN). ORGANIZATIONS THAT HAVE ACCEPTED AMAKUDARI OFFICIALS SEEM TO BE INCLUDED AMONG THEM.

SOME PERSONS CAST DOUBTS OVER NONPROFIT GROUPS MAKING CONTRIBUTIONS TO SPECIFIC POLITICAL PARTIES OR POLITICIANS, FOCUSING ON THEIR NATURE OF SERVING THE PUBLIC INTEREST, BUT THESE ORGANIZATIONS TEND TO GIVE TOP PRIORITY TO MAKING PROFITS, RESULTING IN THEIR CONDUCTING ACTIVITIES THAT DEVIATES FROM THE INITIAL PURPOSE OF THEIR ESTABLISHMENT. THERE ARE LARGE SUMS OF CONTRIBUTIONS FROM POLITICAL ORGANIZATIONS THAT ARE MANAGED BY NONPROFIT ORGANIZATIONS, INDUSTRIAL ASSOCIATIONS, AND IF SUCH FUNDS ARE ADDED, THE SCALE OF POLITICAL PAYOFFS WILL SWELL FURTHER.

GOVERNMENT MAY SHAVE OUTLAYS FOR MUCH-CRITICIZED URUGUAY ROUND COUNTERMEASURES PACKAGE (TOKYO SHIMBUN - PAGE 3)

THE GOVERNMENT YESTERDAY HAD THE FISCAL STRUCTURAL REFORM CONFERENCE (CHAIRMANED BY PRIME MINISTER RYUTARO HASHIMOTO) UNDER THE GOVERNMENT AND RULING CAMP RECONSIDER THE DETAILS OF THE PROJECTS (6 TRILLION YEN IN TOTAL) PLANNED AS DOMESTIC COUNTERMEASURES TO THE URUGUAY ROUND (MULTILATERAL TRADE NEGOTIATIONS) AND ADOPTED THE POLICY DIRECTION OF MAKING SUCH PROJECTS SUBJECT TO THE ONGOING EFFORT TO CURB FISCAL OUTLAYS. THE DECISION WAS REVEALED BY A GOVERNMENT SOURCE YESTERDAY.

REGARDING BUDGETARY APPROPRIATIONS FOR URUGUAY ROUND COUNTERMEASURES SOME IN GOVERNMENT CIRCLES ARE MAINTAINING A VIEW THAT FISCAL OUTLAYS FOR IMPROVEMENT OF THE STRUCTURE OF FARMLAND IS CONTRADICTORY TO A RICE-CULTIVATING ACREAGE REDUCTION POLICY LINE, WHICH THE GOVERNMENT IS NOW PURSUING. OTHERS HAVE POINTED OUT THAT SUCH COUNTERMEASURES INCLUDE PROJECTS THAT HAVE NO DIRECT CONNECTION WITH AGRICULTURAL PROMOTION, SUCH AS THE CONSTRUCTION OF KURHAUS.

THE GOVERNMENT WILL CONSIDER PUTTING OFF THE START-UP OF SUCH PROJECTS. IN ADDITION, IT INTENDS TO REVIEW ALL OTHER PROJECT ITEMS, AIMING AT CUTTING BACK FISCAL OUTLAYS.

HOWEVER, THE AGRICULTURAL POLICY CLIQUE (TN: "ZOKU") IN THE LIBERAL DEMOCRATIC PARTY (LDP) IS BOUND TO REACT NEGATIVELY TO SUCH A PROPOSAL. HOW FAR THE PROPOSAL WILL GO IS AN OPEN QUESTION.

WEAK YEN-INDUCED JUMPED IN EXPORTS TO U.S. WORRIES JAPANESE MANUFACTURERS (NIHON KEIZAI - PAGE 5)

AN INCREASE IN EXPORTS TO THE UNITED STATES CAUSED BY THE ONGOING DEPRECIATION OF THE YEN HAS BECOME NOTICEABLE. EXPORT VOLUME TO THE U.S., WHICH HAD CONTINUED TO BE

SLUGGISH, HAS MOVED INTO THE YEAR-OVER-YEAR GROWTH COLUMN SINCE LAST FALL, CENTERED AROUND ELECTRONIC EQUIPMENT. WITH THE U.S., THE EXCESS OF EXPORTS OVER IMPORTS (TRADE SURPLUS) SWITCHED OVER TO THE GROWTH COLUMN IN THE OCTOBER - DECEMBER QUARTER IN 1996, THE FIRST SUCH MOVE IN ALMOST TWO YEARS. A SHARP INCREASE IN EXPORTS TO THE U.S. WILL WORK AS A POSITIVE FACTOR FOR THE JAPANESE ECONOMY, BY BOOSTING THE BUSINESS PERFORMANCE OF EXPORTING FIRMS, BUT THERE IS CONCERN THAT EXPANSION OF TRADE SURPLUS WITH THE U.S. MIGHT IRRITATE INDUSTRIAL CIRCLES THERE.

CONCERN OVER AGGRAVATING U.S. INDUSTRIAL CIRCLES
UNCLAS SECTION 06 OF 08 TOKYO 000766

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.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 29

THE QUANTUM INDEXES ISSUED BY THE FINANCE MINISTRY (MOF) REVEAL THAT EXPORTS TO THE U.S. HAD BEEN ON THE DOWNWARD TREND FROM YEAR-EARLIER LEVELS SINCE THE SECOND HALF OF 1994, WHEN THE HIGHER YEN TREND STARTED. HOWEVER, THE TREND TOOK AN UPWARD TURN LAST SEPTEMBER, POSTING FOUR CONSECUTIVE MONTHS OF INCREASE UNTIL DECEMBER. AT WORK BEHIND THE UPWARD TURN IS JAPANESE COMPANIES' GAINING PRICE COMPETITIVENESS ABROAD WITH THE PRICES OF THEIR PRODUCTS BECOMING RELATIVELY LOW DUE TO THE WEAKENING YEN.

THE TRADE SURPLUS WITH THE U.S. HAD BEEN DROPPING, BUT IN THE OCTOBER - DECEMBER QUARTER IN 1996, THE TREND TOOK AN UPWARD TURN ON A YEAR-ON-YEAR BASIS, FOLLOWING A NINE QUARTERS' HIATUS (TWO YEARS AND THREE MONTHS). SOME HAVE ALREADY POINTED OUT, "U.S. INDUSTRIES, INCLUDING MAJOR AUTOMAKERS, ARE BEGINNING TO BECOME ALARMED BY THE WEAKENING YEN" (MOF).

IN THE TRENDLINE OF EXPORTS TO THE U.S. CLASSIFIED BY COMMODITY ITEMS, A SHARP INCREASE IN THE EXPORTS OF AUTOS IS PRONOUNCED. EXPORTS OF PASSENGER CARS IN THE OCTOBER - DECEMBER QUARTER IN 1996 INCREASED 20 PERCENT OVER THE SAME PERIOD IN THE PRECEDING YEAR AGAINST THE BACKDROP OF BRISK PERSONAL CONSUMPTION IN THAT COUNTRY, WHERE BUSINESS IS PROSPERING. TOYOTA MOTORS NOTED THAT "EXPORTS OF RECREATIONAL VEHICLES (RV), WHICH ARE NOT BEING MANUFACTURED IN THE U.S., ARE DOING PARTICULARLY

WELL."

EXPORTS OF ELECTRONIC EQUIPMENT, SUCH AS PC'S, ARE ALSO STEADY. EXPORTS OF DUPLICATING MACHINES, CENTERED ON TYPES THAT CAN BE USED AS PRINTERS IF CONNECTED TO PC'S, HAVE RISEN 10 PERCENT. RICOH, WHICH HAS CREATED EXPORT-ONLY BRANDS, SAID, "EXPORTS OF ELECTRONIC EQUIPMENT ARE SO VIGOROUS THAT WE MAY ACHIEVE 100-PERCENT GROWTH." PC EXPORTS HAVE ALSO RISEN 9.8 PERCENT OVER THE SAME PERIOD IN THE PRECEDING YEAR.

JAPANESE COMPANIES HAVE ACTIVELY ADVANCED INTO FOREIGN COUNTRIES AGAINST THE BACKDROP OF THE TREND OF A RISING YEN, CREATING A HORIZONTAL INDUSTRIAL DIVISION SYSTEM WITH THOSE TRADING PARTNERS. THEREFORE, THE GENERALLY HELD VIEW HAS BEEN THAT "EVEN IF THE YEN LOSES ITS VALUE TO SOME DEGREE, IT WILL NOT CAUSE A DROP IN EXPORTS OR CHANGE IN THE UPWARD TREND OF IMPORTS" (ECONOMIC PLANNING AGENCY). IN CONTRAST, SUMIJI YOSHIMOTO, CHIEF RESEARCHER AT THE SAKURA RESEARCH INSTITUTE ANALYZED, "OVER A SHORT TERM, EXPORTS WILL JUMP, CENTERED AROUND NEW PRODUCTS THAT ARE NOT PRODUCED ABROAD."

JAPAN PUT IN TOUGH SPOT BY RUPTURE IN LIQUOR TAX TALKS WITH U.S. (NIHON KEIZAI - PAGE 5)

IN JAPAN-U.S. TALKS IN WASHINGTON ON THE 27TH (LOCAL TIME) CENTERED ON THE DIFFERENTIAL IN TAXES PLACED ON SUCH LIQUORS AS JAPANESE "SHOCHU" SPIRITS AND WHISKEY, THE U.S. REJECTED JAPAN'S COMPROMISE PROPOSAL, WHICH MOVES THE ISSUE TO THE WORLD TRADE ORGANIZATION (WTO) FOR ARBITRATION. THE U.S. WAS DISSATISFIED WITH JAPAN'S PROPOSAL TO MAKE THE TAX CORRECTION OVER A MAXIMUM FIVE YEARS, AND THE PROBABILITY IS HIGH THAT THE WTO ALSO WILL REQUEST AN EARLY CORRECTION. JAPAN APPEARS TO BE UNDER PRESSURE TO MAKE CONCESSIONS, SUCH AS EXPANDING THE SCALE OF ITS TARIFF REDUCTION.

UNDER WTO RULES, THE LONGEST PERIOD ALLOWED FROM RECOMMENDATION TO CORRECTION IS 15 MONTHS (UNTIL FEBRUARY 1998). HOWEVER, THE JAPANESE GOVERNMENT, OUT OF CONSIDERATION TO THE DISTILLATION INDUSTRY, WHICH IS MOSTLY MADE UP OF SMALL ENTERPRISES, DECIDED TO SET THE TIME LIMIT FOR REVISING ITS LIQUOR TAXES AS OCTOBER 2001. UNCLAS SECTION 07 OF 08 TOKYO 000766

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 29

ON THE OTHER HAND, JAPAN SUGGESTED TO THE OTHER COUNTRIES IN THIS DISPUTE A COMPROMISE PROPOSAL TO EFFECTIVELY CANCEL OUT THE DIFFERENCE IN THE TAX RATES BETWEEN THE TWO TYPES OF SPIRITS BY LOWERING THE TARIFF RATE AFTER OCTOBER 1998, WHICH WAS THE DATE FOR COMPLETION OF THE LOWERING OF THE TAX ON WHISKEY.

WHILE AN AGREEMENT WAS SUBSEQUENTLY REACHED IN NEGOTIATIONS WITH THE EUROPEAN UNION (EU) ON LOWERING THE TARIFF RATE ON BRANDY, THE U.S. REJECTED THE LOWERING OF THE TARIFF ON BOURBON WHISKEY, A MOVE THAT WAS NOT EXPECTED BY THE JAPANESE SIDE.

IT WOULD APPEAR THAT THE DECISION OF THE WTO EXPECTED ON FEBRUARY 14 WILL SEEK THE SHORTENING OF THE PERIOD OF JAPAN'S TAX CORRECTION. HOWEVER, THE DRAFT AMENDMENT TO THE LIQUOR TAX LAW IS NOT EXPECTED TO BE APPROVED BY THE CABINET UNTIL THE 31ST SO IT WILL BE DIFFICULT TO OBTAIN A RULING PARTY AGREEMENT TO ITS REVISION BY THEN.

IN CASE JAPAN DOES NOT FOLLOW THE WTO DECISION, THE U.S. CAN SEEK COMPENSATION MEASURES. IT WOULD APPEAR THAT IT WILL ASK JAPAN TO SHORTEN THE PERIOD FOR REMOVAL OF TARIFFS ON WHISKEY, WHICH IS NOW SET FOR FISCAL 2004.

INTERVIEW WITH DAS CAMPBELL: EXPECTS EARLY RESOLUTION OF FUTENMA ISSUE (ASAHI - PAGE 2)

(WASHINGTON, JANUARY 23, YOSHIKAZU (?) KIMURA) U.S. DEPUTY ASSISTANT SECRETARY OF DEFENSE CAMPBELL (FOR EAST ASIAN AND PACIFIC AFFAIRS), A WORKING-LEVEL OFFICIAL OF THE U.S. GOVERNMENT FOR JAPAN-U.S. SECURITY AFFAIRS, MET WITH AN ASAHI SHIMBUN REPORTER. ASKED ABOUT THE DIFFICULTY OF FINDING AN ALTERNATIVE SITE FOR A HELIPORT TO BE NEWLY CONSTRUCTED ALONG WITH THE SCHEDULED REVERSION OF THE U.S. FORCES' FUTENMA AIR STATION SITE IN OKINAWA, HE REQUESTED THE JAPANESE GOVERNMENT TO MAKE FURTHER EFFORTS FOR AN EARLY SETTLEMENT OF THE PROBLEM, REMARKING: "OF COURSE, IT (FINDING AN ALTERNATIVE PLACE) HAS BEEN A MATTER OF AGREEMENT BETWEEN THE JAPANESE AND U.S. GOVERNMENTS, AND I HOPE IT WILL BE IMPLEMENTED AS SOMETHING LIKE THAT."

REGARDING THE PLANNED CONSTRUCTION OF A SEA-BASED HELIPORT IN THE WATERS OFF THE U.S. FORCES' CAMP SCHWAB, DEPUTY ASSISTANT SECRETARY OF DEFENSE CAMPBELL SAID, "THAT'S ONE OF THE CANDIDATE SITES, BUT WE'RE CONCERNED ABOUT THE FEATURES OF AN ALTERNATIVE FACILITY, RATHER THAN ABOUT WHERE IT IS GOING TO BE CONSTRUCTED IN THE END. WE'RE NOW WAITING FOR THE JAPANESE GOVERNMENT'S OFFICIAL ANSWER ABOUT WHICH PLACE IS OPTIMUM FROM THE ASPECTS OF OPERABILITY AND POLITICS."

AS A PILLAR OF JAPAN-U.S. DEFENSE COOPERATION IN THE YEARS AHEAD, THE U.S. HAS BEEN CALLING ON THE JAPANESE GOVERNMENT TO PARTICIPATE IN ITS PLAN TO DEVELOP AND

DEPLOY THEATER MISSILE DEFENSE (TMD) SYSTEMS. IN THIS CONNECTION, DEPUTY ASSISTANT SECRETARY CAMPBELL SAID, "WE WILL RESPECT JAPAN'S JUDGMENT." ON THE OTHER HAND, HOWEVER, HE REFERRED TO NEW SECRETARY OF DEFENSE COHEN'S LAYING EMPHASIS ON THE IDEA OF PUSHING AHEAD WITH THE ANTI-BALLISTIC MISSILE DEFENSE (BMD) INITIATIVE. CAMPBELL REMARKED, "THE PLAN WILL GO ON AT FULL SPEED. WE WOULD LIKE TO CONTINUE OUR COOPERATION WITH JAPAN." HE THUS EXPRESSED THE U.S. GOVERNMENT'S STRONG HOPES FOR THE JAPANESE GOVERNMENT'S PARTICIPATION.

REFERRING ALSO TO A QUARTERLY DEFENSE REVIEW (QDR) REPORT THE U.S. GOVERNMENT IS EXPECTED TO PRESENT TO CONGRESS THIS MAY, DEPUTY ASSISTANT SECRETARY CAMPBELL INDICATED HIS VIEW: "SOME PEOPLE IN OKINAWA PREDICT THAT IT MAY LEAD TO A REDUCTION OF THE U.S. FORCES IN JAPAN, INCLUDING THE MARINES. BUT THAT'S NOT TRUE. FOR THE UNCLAS SECTION 08 OF 08 TOKYO 000766

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.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JANUARY 29

TIME BEING, THERE WILL BE NO BIG CHANGE IN THE SCALE OF THE USFJ'S TOTAL TROOP STRENGTH."

FURTHERMORE, THE DEPUTY ASSISTANT SECRETARY TOUCHED ON THE ISSUE OF REVIEWING THE GUIDELINES FOR JAPAN-U.S. DEFENSE COOPERATION, AND REMARKED: "I DON'T WANT TO BREAK INTO THE EXTREMELY DELICATE SITUATION WITHIN JAPAN (SUCH AS ARGUMENTS OVER THE CONSTITUTION OF JAPAN AND THE RIGHT OF COLLECTIVE SELF-DEFENSE). BUT WE THINK IT WILL BE POSSIBLE TO CARRY OUT ALL OPERATIONS AND ACTIVITIES UNDER THE PRESENT CONSTITUTION OR IN ACCORDANCE WITH OUR INTERPRETATION OF AN AGREEMENT ALREADY REACHED IN WRITTEN FORM BETWEEN JAPAN AND THE UNITED STATES."

JDA TO PRESENT THREE BILLS TO DIET FOR INTRODUCTION OF READY RESPONSE UNIT IN JAPAN (YOMIURI - PAGE 2)

THE JAPAN DEFENSE AGENCY CLARIFIED A COURSE OF ACTION ON JANUARY 28 TO PRESENT THREE RELEVANT BILLS TO THE DIET EARLY NEXT MONTH, INCLUDING A BILL TO REVISE THE DEFENSE AGENCY ESTABLISHMENT LAW, ALONG WITH INTRODUCING A QUICK-RESPONSE SELF-DEFENSE PERSONNEL RESERVE SYSTEM TO MAKE USE OF FORMER MEMBERS OF THE SELF-DEFENSE FORCES FOR DEFENSE OPERATIONS OR DISASTER RELIEF OPERATIONS.

THE REVISION BILL SETS THE QUORUM OF SDF RESERVISTS AT 1,373. ON THE OTHER HAND, THE BILL REDUCES THE GROUND SELF-DEFENSE FORCE'S CURRENT PERSONNEL SLOT BY 1,423 TO 178,007. FOR THE TIME BEING, JDA PLANS TO ENROLL ABOUT 700 RESERVISTS BY MARCH 1998, AND IS GOING TO ASSIGN THEM TO THE GSDF'S 4TH DIVISION (HEADQUARTERED IN FUKUOKA) IN AND AFTER APRIL THAT YEAR.

THE PLAN TO INTRODUCE SDF RESERVISTS HAS BEEN ADOPTED IN A SET WITH A REDUCTION OF GSDF PERSONNEL UNDER A NEW CHARTER OF THE NATIONAL DEFENSE PROGRAM OUTLINE. THE PLAN IS TO CALL UP FORMER SDF MEMBERS FOR PARTICIPATION IN TRAINING FOR AN ANNUAL TOTAL PERIOD OF 30 DAYS, AND THEY ARE GOING TO BE MOBILIZED TO THE FRONTLINE IN TIMES OF EMERGENCY OR IN THE EVENT OF DISASTERS. JDA PLANS TO INCREASE THE FIXED NUMBER OF RESERVISTS TO ABOUT 5,000 BY FY2000 AND ABOUT 15,000 IN THE END.

THE RESERVISTS WILL BE SUPPLIED WITH A MONTHLY ALLOWANCE OF 16,000 YEN PLUS A TRAINING ALLOWANCE. IN ADDITION, THEIR EMPLOYERS ALSO WILL BE SUBSIDIZED WITH 42,700 YEN A MONTH. CRANE

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