

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	Re: Sea-Based Facility at Futenma (5 pages)	05/16/1997	P1/b(1)
002. cable	Re: Military Port Relocation (5 pages)	05/22/1997	P1/b(1)
003. cable	Re: Okinawa Artillery Training Relocation (5 pages)	05/23/1997	P1/b(1)
004. cable	Re: Okinawa Landfill Option (5 pages)	05/30/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[05/16/1997 - 06/05/1997]

2016-0420-F
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RESTRICTION CODES

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

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

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

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

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

RR. Document will be reviewed upon request.

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

Cable

PREC: IMMEDIATE
CLASS: UNCLASSIFIED
LINE1: OAAUZYUW RUEHKO4276 1360306-UUUU--RHEHAAA.
LINE2: ZNR UUUUU ZZH
LINE3: O 160306Z MAY 97
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ORIG: AMEMBASSY TOKYO
TO: RUEHIA/USIA WASHDC IMMEDIATE 4894
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INFO: RUEAWJA/USDOJ WASHDC
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RUEKJGS/JOINT STAFF WASHDC//J5//
RUEAIIA/CIA WASHDC
RHEHAAA/WHITE HOUSE WASHDC
RUEKJCS/SECDEF WASHDC
RUCPDOG/USDOC WASHDC
RUEBBEA/USDOT WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS MAY 16

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 06 TOKYO 004276

USIA

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

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS MAY 16

TOP HEADLINES:

ASAHI: FISCAL REFORM PANEL DECIDES ON POLICY OF CUTTING
PUBLIC WORKS OUTLAYS BY 7 PERCENT; 16 KINDS OF LONG-TERM
PLANS PROPOSED TO EXTEND EVENLY FOR TWO YEARS

NIHON KEIZAI: FISCAL REFORM PANEL SETS A PACKAGE OF
BUDGET-CUTS MEASURES; NUMERICAL TARGETS APPLICABLE TO ALL

SECTORS; NEGATIVE GROWTH IN ALL AREAS EXCEPT FOR SOCIAL SECURITY AND SCIENCE & TECHNOLOGY (TRANSLATION BELOW)

TOKYO SHIMBUN: SPECIAL ASSAULT TASK FORCE (SAT) JOINTED IN FULL-FLEDGED TRAINING WITH FBI IN JANUARY DURING THE HOSTAGE CRISIS; 10 OR SO POLICEMEN PARTICIPATED, HYPOTHESIZING A CASE OF BEING UNDER SIEGE (TRANSLATION BELOW)

MAINICHI: TRIANGLE FOR THE 21ST CENTURY; TRUTH OR FALSEHOOD OF JAPAN-U.S. ALLIANCE: U.S. REQUESTS ALSO FOR USE OF COMMERCIAL AIRPORTS; DETAILED 1,059 ITEMS, HYPOTHESIZING A CONTINGENCY ON THE KOREAN PENINSULA

YOMIURI: NORTH KOREA WILL TOLERATE JAPANESE WIVES LIVING IN THE NORTH TO MAKE A BRIEF VISIT TO JAPAN; LIKELY TO BE REALIZED WITHIN A COUPLE OF MONTHS; THIS POLICY CONVEYED THROUGH INFORMAL TALKS; SEVERAL WIVES WILL LIKELY MAKE SUCH A VISIT (TRANSLATION BELOW; TOP PLAY ALSO IN ENGLISH ED.)

SANKEI: NOMURA SECURITIES SCANDAL: RACKETEER KOIKE AND HIS YOUNGER BROTHER ARRESTED BY TOKYO DISTRICT PUBLIC PROSECUTORS OFFICE ON CHARGE OF RECEIPT OF PROFITS

OKINAWAQS 25 ANNIVERSARY OF REVERSION: WORRY NOW THAT BASE REDUCTION WILL BE NEGLECTED (ASAHI - PAGE 2)

THE "OKINAWA PROBLEM," AS PRIME MINISTER RYUTARO HASHIMOTO HAS POINTED OUT, HAS UNTIL NOW BEEN AT THE TOP OF HIS CABINET'S PRIORITY AGENDA, BUT IT IS NOW DEPARTING THE OFFICIAL POLITICAL STAGE WITH NO DEFINITE PROSPECTS FOR REDUCTION OF BASES IN SIGHT. ON MAY 15, THE DAY MARKING THE 25TH ANNIVERSARY OF OKINAWA'S REVERSION TO JAPANESE CONTROL, THE LAND-LEASE PROBLEM ASSOCIATED WITH UNITED STATES MILITARY BASES, WHICH UNTIL NOW HAS THREATENED THE JAPAN-U.S. SECURITY ARRANGEMENT, WAS BROUGHT TO A CONCLUSION IN EFFECT, WITH THE CONTINUATION OF PROVISIONAL USE BY U.S. FORCES OF LAND LOTS OWNED BY NEARLY 3,000 LANDOWNERS IN ACCORDANCE WITH THE AMENDED SPECIAL LAND-LEASE LAW (TOKUSOHO). GREETING THE QUARTER-CENTURY ANNIVERSARY, THE CENTRAL GOVERNMENT IS NOW ASSUMING THE STANCE OF SHIFTING ITS WEIGHT FROM "SECURITY" TO "ECONOMIC PROMOTION" IN TACKLING THE OKINAWA PROBLEM. WHAT IS FEARED IS THAT LITTLE HEED MAY BE PAID TO POLITICAL EFFORTS TO ALLEVIATE THE EXCESSIVE BURDEN ON OKINAWA OF KEEPING THE U.S. MILITARY BASES.

ON THE 15TH, PRIME MINISTER HASHIMOTO IN A PRESS BRIEFING STATED THAT THE FIRST THING HE WOULD DO WOULD BE " TO DO MY UTMOST TO BOOST THE ECONOMY (IN OKINAWA)." AS FOR THE PROBLEM OF REDUCING THE BASES, HE DID NOT MAKE ANY SPECIFIC REFERENCE, SIMPLY STATING, "WE WILL FAITHFULLY IMPLEMENT WHAT WAS AGREED ON AT THE JAPAN-U.S. SPECIAL ACTION COMMITTEE ON OKINAWA" (SACO)."

IN THE JAPAN-U.S. SUMMIT HELD LATE LAST MONTH AS WELL, HE DID NOT ASK THE U.S. SIDE TO GIVE SHAPE TO BILATERAL

CONSULTATIONS AIMED AT REDUCING THE TROOP STRENGTH OF U.S. FORCES STATIONED ON OKINAWA. "WHAT WAS IMPORTANT FOR HIM WAS HOW TO MANAGE THE DEBATE IN THE DIET. NOW THAT THE AMENDMENT TO THE SPECIAL LAND-LEASE LAW WAS APPROVED BY AN OVERWHELMING MAJORITY, THERE IS NO LONGER ANY NEED TO DO SOMETHING FAVORABLE FOR (OKINAWA)," REVEALS A STAFFER CLOSE TO THE PRIME MINISTER OF THE UNCLAS SECTION 02 OF 06 TOKYO 004276

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 MAY 16

PRIME MINISTER'S OFFICIAL RESIDENCE. HE ALSO GAVE A GLIMPSE OF THE NOTION THAT THE TROOP STRENGTH ISSUE WAS DEBATED JUST FOR THE REASON OF MAKING A SOFTLANDING IN REVISING THE LAW BY OBTAINING COOPERATION FROM THE SOCIAL DEMOCRATIC PARTY (SDP) AND OTHERS.

"FOR THE PAST 25 YEARS, WE HAVE ENDEAVORED TO REMOVE OKINAWA'S PAIN, BUT IT IS DIFFICULT TO SAY THAT OUR EFFORTS GENERATED ANY MAJOR RESULTS," CHIEF CABINET SECRETARY SEIROKU KAJIYAMA TOLD REPORTERS ON THE 15TH. ON THE OTHER HAND, AT A MEETING RECENTLY HELD, HE EMPHASIZED THAT IN HIS VIEW, "THE OKINAWA PROBLEM HAS BEEN SETTLED FOR NOW."

THE POLITICAL WORLD AS A WHOLE IS IN AN ATMOSPHERE THAT "THE DANGER HAS PASSED AND FORGOTTEN ..." ON APRIL 22, A RESOLUTION SETTING FORTH "EFFORTS OF JAPAN AND THE U.S. TO HAVE TROOP STRENGTH CONSULTATIONS" AND THE LIKE WAS ADOPTED AT THE LOWER HOUSE, BUT IT WAS PUT ON HOLD AT THE UPPER HOUSE WHERE THE AMENDMENT TO THE SPECIAL LAND-LEASE LAW WAS BELIEVED TO BE MOST LIKELY APPROVED, DUE TO THE JUDGMENT SHOWN MAINLY BY THE LIBERAL DEMOCRATIC PARTY (LDP) AND THE SHINSHINTO (NEW FRONTIER PARTY) THAT (SUCH A RESOLUTION) IS UNNECESSARY." THIS RESPONSE IS LESS ENTHUSIASTIC THAN THE U.S. SENATE FOREIGN RELATIONS COMMITTEE, WHICH ADOPTED ON THE 8TH A RESOLUTION SAYING, "THE OKINAWAN CITIZENS BEAR AN OVERLY HEAVY BURDEN."

MEANWHILE, THE OKINAWA PREFECTURE SIDE THAT INCLUDES GOVERNOR MASAHIDE OTA ALSO REMAINS UNABLE TO FIND ANY EFFECTIVE MEANS TO FORWARD THEIR CONCERNS TO THE CENTRAL GOVERNMENT ON THE PROBLEM OF REDUCING BASES NOW THAT THE COURT TRIALS INVOLVING THE PROBLEM OF LAND-LEASE CONTRACTS FOR U.S. FORCES HAVE BEEN SETTLED. ON THE PROBLEM OF RELOCATING FUTENMA AIR STATION TO SOMEWHERE

OFFSHORE, AS WELL, THE GOVERNOR ACQUIESCED TO A PRELIMINARY SITE SURVEY IN THE CANDIDATE WATERS AREA, RESPONDING TO NAGO CITY'S STANCE OF ACCEPTING SUCH A SURVEY. THE PREFECTURAL SIDE, EYEING A SET OF ECONOMICALLY PROMOTIONAL MEASURES TO BE REVEALED SOON, SEEMS LIKELY TO AVOID CAUSING ANY MORE CONFRONTATION WITH THE CENTRAL GOVERNMENT THAN THIS.

THE SECURITY ISSUE TACKLED BY THE CENTRAL GOVERNMENT WILL SHIFT ITS WEIGHT FROM THE OKINAWA PROBLEM TO THE REVIEW OF THE JAPAN-U.S. DEFENSE COOPERATION GUIDELINES, WHICH WERE INCLUDED IN THE JAPAN-U.S. JOINT SECURITY DECLARATION RELEASED IN APRIL OF LAST YEAR. IN THE PROCESS OF DEBATE ON GUIDELINES AS TO WHAT ROLE JAPAN WILL PLAY FOR THE STABILITY OF THE ASIA-PACIFIC REGION, THE PRINCIPAL POINT WILL BE HOW TO STRENGTHEN DEFENSE COOPERATION. NATURALLY IN THAT PROCESS, TOO, LESS CONSIDERATION WOULD LIKELY BE GIVEN TO EASING THE BURDEN OF OKINAWA.

JAPAN PROPOSES U.S. FORCES SHIFT LIVE-SHELL TRAINING TO 4 MAINLAND SITES THIS FISCAL YEAR (TOKYO SHIMBUN - PAGE 1)

ON THE PROBLEM OF RELOCATING THE U.S. MILITARY'S OKINAWA-BASED LIVE-FIRE ARTILLERY TRAINING ACROSS THE PREFECTURAL ROAD 104 TRAFFIC TO MAINLAND PREFECTURES, THE JAPANESE GOVERNMENT AND THE HEADQUARTERS OF THE U.S. FORCES IN JAPAN HELD A TRAINING RELOCATION SUBCOMMITTEE MEETING OF THE JAPAN-U.S. JOINT COMMITTEE ON THE 15TH. AT THE MEETING, JAPANESE OFFICIALS PRESENTED AN FY1997 TRAINING SCHEDULE, PROPOSING THE U.S. CARRY OUT THAT TRAINING AT FOUR FIRING RANGES (OF THE GROUND SELF-DEFENSE FORCE) EXCLUDING HIJUDAI IN OITA PREFECTURE.

THE U.S. MILITARY WITHHELD ITS ANSWER TO STUDY THE PROPOSED PLAN, BUT DID NOT RAISE ANY OBJECTION IN PARTICULAR. THEREFORE, THE JAPANESE SIDE TOOK IT THAT "THERE IS NO POINT OF CONFRONTATION BETWEEN JAPAN AND THE UNCLAS SECTION 03 OF 06 TOKYO 004276

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 MAY 16

U.S.," AND JUDGES THAT THE FIRING PRACTICE CAN BE EXPECTED TO BE TRANSFERRED TO THE MAINLAND RANGES FOR IMPLEMENTATION FROM THE CURRENT FISCAL YEAR ON. IF THE U.S. MILITARY AGREES TO THE PLAN, THE JAPAN-U.S. JOINT

COMMITTEE WILL MEET TO MAKE A FORMAL DECISION.

THE RANGES PROPOSED BY THE JAPANESE GOVERNMENT ARE AT YAUSUBETSU IN HOKKAIDO, OJOJIBARA IN MIYAGI PREFECTURE, KITAFUJI IN YAMANASHI PREFECTURE, AND HIGASHIFUJI IN SHIZUOKA PREFECTURE. SO FAR THE JAPANESE SIDE HAS MADE THE EFFORT TO PERSUADE THE LOCAL MUNICIPALITIES ON THE LIST OF RELOCATION CANDIDATE SITES, BUT THE USFJ HAS INFORMED THE JAPANESE GOVERNMENT THAT IT WOULD CONDUCT FIRING DRILLS IN OKINAWA ALSO IN THE CURRENT FISCAL YEAR.

POLICE SPECIAL ASSAULT TEAM TRAINED IN U.S. WITH FBI DURING PERU HOSTAGE CRISIS (TOKYO SHIMBUN - TOP PLAY)

IN ORDER TO COPE WITH SUCH EVENTS AS HIJACKS AND ARMED HOLEUPS, ABOUT 10 MEMBERS SELECTED FROM THE (NATIONAL POLICE AGENCY'S) SPECIAL ASSAULT TEAM (SAT) -- A SQUAD OF SPECIAL RANGERS ASSIGNED TO SEVEN PREFECTURES' POLICE INCLUDING THE TOKYO METROPOLITAN POLICE DEPARTMENT AND OSAKA PREFECTURAL POLICE, HAD BEEN DISPATCHED TO THE U.S. ABOUT ONE MONTH AFTER THE OUTBREAK OF THE HOSTAGE CRISIS AT THE JAPANESE AMBASSADOR'S OFFICIAL RESIDENCE IN PERU, AND PARTICIPATED IN TRAINING WITH A SPECIAL FORCE OF THE FEDERAL BUREAU OF INVESTIGATION (FBI). THIS FACT WAS REVEALED ON THE 15TH. AN NPA OFFICIAL HAS ALSO ADMITTED THIS HAPPENED, AND EXPLAINED THAT SUCH "HAD NOTHING TO DO WITH THE PROBLEM OF DISPATCHING THEM FOR OVERSEAS INCIDENTS." HOWEVER, NPA IS PRESUMED TO HAVE BEGUN ITS STUDIES ON REINFORCING THE SAT FORCE AND COMMITTING ITS MEMBERS IN ANTICIPATION OF POSSIBLE TERRORISM AND OTHER INCIDENTS AT HOME.

REPORT OF NORTH KOREAN ABDUCTION OF WOMAN IN LEBANON SIMILAR TO YOKOTA CASE (SANKEI - PAGE 1)

SUSPICION HAS BECOME STRONGER THAT NORTH KOREAN AGENTS KIDNAPPED MEGUMI YOKOTA (13 YEARS WHEN SHE DISAPPEARED), A NIIGATA PREFECTURE JUNIOR HIGH SCHOOL GIRL, IN 1977. IN RESPONSE TO REPORTS OF SUCH AN INCIDENT, THE MINISTRY OF FOREIGN AFFAIRS (MOFA) HAS LAUNCHED AS OF THE 15TH A FULL-SCALE INFORMATION-GATHERING EFFORT, WITH AN EYE ON AN ABDUCTION CASE OF LEBANESE WOMEN BY NORTH KOREAN AGENTS WHICH OCCURRED ALMOST AT SAME TIME IN LEBANON.

THE LEBANESE WOMEN WERE ABDUCTED IN THE SPRING OF 1979. FOUR OR FIVE LEBANESE WOMEN WERE APPROACHED BY A LEBANESE MAN, WHO WORKED AS AN AGENT FOR NORTH KOREA, WITH JOBS IN TOKYO OR HONG KONG. AND THOSE WOMEN LEFT LEBANON ON A SHIP. IT IS UNKNOWN WHETHER THEY STOPPED OVER IN TOKYO AND HONG KONG, BUT THEY WERE BROUGHT TO PYONGYANG IN THE END.

AT THAT TIME, THE LEBANESE GOVERNMENT, WHICH HAD NO DIPLOMATIC TIES WITH NORTH KOREA, MADE EFFORTS TO CLEAR UP THE TRUTH ABOUT THE INCIDENT. AFTER INQUIRING OF THE NORTH KOREAN SIDE REGARDING THE ABDUCTION, IT MADE A STRONG PROTEST TO THE NORTH THROUGH THE NORTH KOREAN TRADE REPRESENTATIVE HEADQUARTERS IN BEIRUT.

AS A RESULT, THE NORTH KOREAN SIDE ADMITTED THE KIDNAPPING AND ALL ABDUCTED LEBANESE WOMEN WERE ABLE TO RETURN HOME SAFELY IN THE FALL OF 1979, ONE AND A HALF YEARS AFTER THEIR ABDUCTION.

THIS CASE WAS REPORTED BY THE MAJOR NEWSPAPER ANNAHALE(?) AND LORIAN(?) AFTER IT WAS RESOLVED. ACCORDING TO THE REPORT, THE KIDNAPPED WOMEN WERE TAKEN TO A MILITARY'S INTELLIGENCE TRAINING INSTITUTE IN PYONGYANG. THEY WERE BEING TRAINED JUDO, KARATE, AND UNCLAS SECTION 04 OF 06 TOKYO 004276

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 MAY 16

THEY WERE TAUGHT METHODS OF COMMUNICATION AND CODE-BREAKING.

AT THAT TIME, CONNECTION (BETWEEN THE KIDNAPPING CASE OF LEBANESE WOMEN) AND THE SUSPECTED ABDUCTIONS OF A TOTAL OF TEN JAPANESE PEOPLE IN SEVEN CASES, INCLUDING MEGUMI YOKOTA, BY NORTH KOREAN AGENTS, WAS UNCLEAR. MOFA, THEREFORE, COLLECTED MINIMUM NECESSARY INFORMATION. BUT SINCE NORTH KOREA'S KIDNAPPING LEBANESE WOMEN COINCIDED WITH THE MISSING OF JAPANESE ALLEGEDLY BEING ABDUCTED BY THAT COUNTRY'S AGENTS, A VIEW IS NOW GAINING GROUND THAT "THERE IS A POSSIBILITY THAT NORTH KOREA HAD CARRIED OUT ORGANIZED KIDNAPPINGS STRATEGICALLY AROUND THE WORLD INCLUDING JAPAN, AIMING AT INCREASING ITS AGENTS" (A MEMBER OF THE JAPANESE DIETMEMBERS' LEAGUE TO RESCUE JAPANESE ALLEGEDLY ABDUCTED BY NORTH KOREA). MOFA, THEREFORE, HAS STARTED AGAIN COLLECTING INFORMATION ON THE KIDNAPPING CASE IN LEBANON.

MOFA HAS GREAT INTEREST IN HOW THE LEBANESE GOVERNMENT HELD INFORMAL NEGOTIATIONS WITH THE NORTH KOREAN SIDE, IN ADDITION TO THE DETAILS OF THE ABDUCTION OF LEBANESE WOMEN.

LOWER HOUSE MEMBER SHINZO ABE, A MEMBER OF THE LIBERAL DEMOCRATIC PARTY (LDP), WILL QUESTION AT A LOWER HOUSE FOREIGN AFFAIRS COMMITTEE MEETING ON THE 16TH THE GOVERNMENT HOW IT WILL DEAL WITH THE ALLEGATION OF NORTH KOREA'S ABDUCTION OF JAPANESE.

NORTH KOREA IN SWITCH TO ALLOW JAPANESE WIVES TO VISIT

(YOMIURI - TOP PLAY)

IT WAS REVEALED ON THE 15TH THAT IN INFORMAL TALKS BETWEEN THE JAPANESE GOVERNMENT AND THE DEMOCRATIC PEOPLES REPUBLIC OF KOREA (NORTH KOREA) THIS MONTH ON THE PROBLEM OF JAPANESE WIVES (OF NORTH KOREANS) WHO HAD GONE TO THAT COUNTRY BUT COULD NOT RETURN, THE NORTH HAS EXPRESSED ITS INTENTION OF GRANTING PERMISSION FOR THEM TO VISIT HOME. THIS WAS CONFIRMED BY SEVERAL OFFICIAL SOURCES. FOR FORTY YEARS THE NORTH KOREAN GOVERNMENT HAD REFUSED TO ALLOW THE WIVES TO VISIT HOME AND THIS HAD BECOME A PENDING ISSUE BETWEEN THE TWO GOVERNMENTS. THE DETAILS ARE NOT CLEAR, SUCH AS HOW MANY WOMEN WILL VISIT, BUT THIS IS THE FIRST TIME THAT THE NORTH KOREAN GOVERNMENT HAS TAKEN A STANCE RECOGNIZING IT AS A HUMANITARIAN ISSUE, AND IT WOULD APPEAR THAT SUCH A STEP WILL HAVE AN EFFECT ON THE DIRECTION OF JAPANESE FOOD ASSISTANCE FOR NORTH KOREA, THE PROBLEM OF RESTARTING BILATERAL NORMALIZATION TALKS, AND OTHER PENDING ISSUES.

YEN RATE RISES 10 POINTS IN 10 DAYS; APRIL SURPLUS JUMPS TWO-FOLD (NIHON KEIZAI - PAGE 5)

THE YEN EXCHANGE YESTERDAY HIT THE 115 LEVEL ON THE TOKYO FOREIGN EXCHANGE MARKET, MARKING A 10-YEN RISE AGAINST THE DOLLAR OVER TEN DAYS. THE CLIMB COMES AGAINST THE BACKDROP OF A REDUCTION IN THE INTEREST DISPARITY BETWEEN JAPAN AND THE UNITED STATES AS WELL AS A GROWING CONCERN OVER THE EXPANSION OF JAPAN'S TRADE SURPLUS. THE POSSIBILITY IS STRONG THAT THE NATION'S TRADE SURPLUS STARTING IN APRIL WILL BE GREATLY PUSHED UP DUE TO THE IMPACT OF THE LOWER YEN THAT HAS CHARACTERIZED THE PAST TWO YEARS. THE MARKET, EYEING THE EXPANDING TRADE SURPLUS, HAS GONE INTO A YEN-BUYING AND DOLLAR-SELLING TREND. JAPANESE AND U.S. GOVERNMENT AUTHORITIES HAVE MADE A SERIES OF STATEMENTS PUTTING UPWARD PRESSURE ON THE YEN. THEY STRESS, "IT IS ABOUT TIME FOR THE YEN TO STOP SOARING" (FINANCE MINISTER MITSUZUKA). CHANCES ARE, HOWEVER, THAT WITH THE INDUSTRIALIZED NATIONS' SUMMIT CONFERENCE (DENVER SUMMIT) JUST AHEAD IN LATE JUNE, IF THE PROBLEM OF THE TRADE IMBALANCE BETWEEN THE TWO COUNTRIES FLARES UP AGAIN, IT MIGHT AGAIN JOLT THE UNCLAS SECTION 05 OF 06 TOKYO 004276

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS MAY 16

MARKET, RESULTING IN A FURTHER APPRECIATION OF THE YEN.

JAPAN CHAMBER OF COMMERCE AND INDUSTRY REPORT OPPOSES
FURTHER EASING OF LARGE STORE LAW (MAINICHI - PAGE 9)

THE CENTRAL FEDERATION OF CHAMBERS OF COMMERCE AND
INDUSTRY IN JAPAN (CHAIRMANED BY EIICHIRO KONDO) IN A BOARD
OF DIRECTORS MEETING YESTERDAY COMPILED A WRITTEN VIEW
OPPOSING RELAXATION OF THE LARGE-SCALE RETAIL STORE LAW
(DAITENHO). IT WILL SUBMIT THE PAPER TODAY TO THE SMALL
AND MEDIUM ENTERPRISE AGENCY OF THE MINISTRY OF
INTERNATIONAL TRADE AND INDUSTRY (MITI).

THE ORGANIZATION POINTS OUT: "A SUDDEN RUSH OF OPENINGS
OF LARGE STORES WOULD HAVE A TREMENDOUS IMPACT ON SMALL
AND MEDIUM-SIZED RETAILERS, UPSETTING THE BASE OF LOCAL
LIVELIHOODS. THE REPORT ASSERTS: (1) FURTHER
DEREGULATION WOULD MAKE IT IMPOSSIBLE TO MAINTAIN A
HEALTHY BUSINESS ENVIRONMENT; AND (2) PERMISSION SHOULD
NOT BE GIVEN TO EXCESSIVE ENLARGEMENTS OF FLOOR SPACE BY
LARGE STORES CARRIED OUT OVER A SHORT PERIOD OF TIME."

STRUCTURAL REFORM PANEL ISSUES 1000 ITEM ACTION PLAN
(SANKI - PAGE 1)

THE GOVERNMENT YESTERDAY ANNOUNCED AN "ACTION PLAN FOR
REFORM AND CREATION OF AN ECONOMIC STRUCTURE" DESIGNED TO
BRING TO FRUITION ECONOMIC STRUCTURAL REFORM, ONE OF THE
SIX REFORMS ADVOCATED BY THE HASHIMOTO GOVERNMENT. THE
PLAN WILL BE FORMALLY ADOPTED AT A CABINET MEETING TODAY.
AS FOR ELECTRICITY RATES -- A KEY STICKY ISSUE IN THE
PACKAGE -- THE PLAN SPECIFICALLY MENTIONS A TWO-STAGE
REDUCTION, NEXT YEAR AND IN THE YEAR 2000. IN ADDITION,
THE PACKAGE INCLUDES A 1,000-ITEM ACTION PROGRAM,
INCLUDING A REVIEW OF THE LARGE-SCALE RETAIL STORE LAW
(DAITENHO), WHICH RESTRICTS THE OPENING OF SUPERMARKETS
AND OTHER LARGE-SCALE STORES, AND CONSIDERATION OF
MEASURES BEFORE THE END OF THE YEAR THAT WOULD REVITALIZE
DOWNTOWN AREAS OF LOCAL CITIES. PROGRESS IN IMPLEMENTING
THOSE MEASURES WILL BE MONITORED ANNUALLY.

OUTLINE OF THE ACTION PLAN

- LOWERING OF ELECTRICITY RATES IN TWO STAGES -- EARLY IN
1998 AND IN 2000 -- IS ANTICIPATED. PROMOTE COMPETITION
IN THE POWER GENERATING INDUSTRY IN ORDER TO BRING DOWN
THE NATION'S ELECTRICITY CHARGES TO INTERNATIONAL LEVELS
BY THE YEAR 2001. TO THAT END, SET NUMERICAL TARGETS FOR
FACILITIES OPERATING RATIOS BEFORE DECEMBER.

- DISSOLVE THE GAP IN DOMESTIC AND OVERSEAS RATES OF
INTERNATIONAL TELEPHONE CALLS BY THE YEAR 2001

- MAP OUT APPROXIMATELY 700 MEASURES FOR CREATING NEW
BUSINESSES IN 15 AREAS, INCLUDING MEDICAL CARE, SOCIAL
WELFARE, AND THE ENVIRONMENT. THE NUMBER OF SUCH
MEASURES COMES TO APPROXIMATELY 1,000 IN THE ACTION PLAN
AS A WHOLE.

- ADOPT AN INTERNSHIP SYSTEM FROM 1998 IN ORDER TO PROMOTE JOINT RESEARCH BETWEEN UNIVERSITIES AND COMPANIES. STRIVE FOR CONSTRUCTION OF RESEARCH FACILITIES ON THE SITES OF NATIONAL UNIVERSITIES FOR JOINT RESEARCH WITH COMPANIES

- REACH A DECISION ON THE ISSUE OF THE CORPORATE TAX SYSTEM, REVISING THAT TAX SYSTEM IN 1998

- CONSIDER MEASURES TO RECONSTRUCT THE FUNCTIONS OF CITIES BEFORE THE END OF THIS YEAR IN ORDER TO PREVENT TRADITIONAL SHOPKEEPERS' ROWS FROM FURTHER DRYING UP.

FISCAL STRUCTURAL REFORM CONFERENCE ATTACHES COST UNCLAS SECTION 06 OF 06 TOKYO 004276

USIA

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

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS MAY 16

REDUCTION TARGETS TO ALL BUDGET AREAS
(NIHON KEIZAI - TOP PLAY)

THE GOVERNMENT/RULING PARTIES-SPONSORED FISCAL STRUCTURAL REFORM COUNCIL (CHAIRER BY PRIME MINISTER RYUTARO HASHIMOTO) OUTLINED A REPORT ON SPENDING-CUT MEASURES. ACCORDING TO THE DRAFT PLAN, "NUMERICAL TARGETS" FOR REDUCING EXPENDITURES IN ALL AREAS CATEGORIZED INTO POLICY-RELATED OUTLAYS (GENERAL OPERATING OUTLAYS), INCLUDING SOCIAL SECURITY, WILL BE SET FOR THREE YEARS BEGINNING FISCAL 1998. GROWTH IN MAJOR SPENDING AREAS, SUCH AS PUBLIC WORKS PROJECTS, DEFENSE SPENDING AND OFFICIAL DEVELOPMENT ASSISTANCE (ODA), WILL PUT IN THE NEGATIVE, COMPARED WITH THE YEAR BEFORE. HOWEVER, MODULATION IS SEEN IN THE DISTRIBUTION OF BUDGETARY ALLOCATIONS TO SOCIAL SECURITY AND SCIENCE AND TECHNOLOGY AREAS; LOWEST-LEVEL INCREASES HAVE BEEN ALLOWED TO THOSE SECTORS TO COVER INCREASING PENSION AND MEDICAL EXPENSES IN THE FORMER BECAUSE OF THE NATION'S TENDENCY TO HAVE LESS CHILDREN AND PROGRESS IN AN OLD AGE SOCIETY AND TO PROMOTE THE LATTER, WHICH IS EXPECTED TO CONTRIBUTE TO IMPLEMENTATION OF ECONOMIC STRUCTURAL REFORM.

OUTLINE OF SPENDING-CUT MEASURES

- STRETCH OUT THE BASIC PUBLIC WORKS PROJECTS BY THREE YEARS. EXTEND SECTOR-BY-SECTOR LONG-TERM PLANS BY TWO

YEARS

- LENGTHEN THE TERM OF IMPLEMENTATION OF BUDGETS FOR URUGUAY ROUND AGRICULTURAL COUNTERMEASURES BY TWO YEARS. STOP TREATING SUCH FUNDS SPECIALLY IN A SUPPLEMENTARY BUDGET.
- NEGATIVE GROWTH FOR DEFENSE SPENDING FOR FISCAL 1998, COMPARED WITH THE YEAR EARLIER, BY CONSTRAINING (CONTRACTS) PAID FOR IN FUTURE FISCAL YEARS.
- 10-PERCENT REDUCTION OF THE ODA BUDGET FOR FISCAL 1998
- YEAR-ON-YEAR DROP ALSO IN APPROPRIATIONS TO LOCAL GOVERNMENT-SPONSORED PROJECTS, MEDIUM AND SMALL BUSINESSES AND ENERGY COUNTERMEASURES.
- CUT 10,000 PUBLIC ELEMENTARY AND JUNIOR HIGH SCHOOL PERSONNEL IN FISCAL 1998
- SPECIFICALLY MENTION A CUT IN THE PENSION-PAYMENT LEVEL. DRASTICALLY REVIEW THE MEDICAL INSURANCE SYSTEM, INCLUDING THE POSSIBILITY OF SCRAPPING THE OFFICIAL DRUG PRICE SYSTEM
- TAKE A SECOND LOOK AT LARGE-SCALE PROJECTS IN THE SCIENCE AND TECHNOLOGY AREA, INCLUDING THE "MONJU," THE NATION'S FIRST FAST BREEDER REACTOR. CRANE

SECT: SECTION: 01 OF 06

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(6) Economic Structural Reform Action Plan: Effectiveness of Deregulation?

ARTICLES:

(1) Transcript of LDP's Fiscal Structural Reform Draft

YOMIURI (Page 2) (Full)
Eve., May 14, 1997

A transcript of the fiscal structural reform draft worked out by the Liberal Democratic Party (LDP) is as follows:

Targets for Fiscal Reconstruction

-- Reduce the annual amount of deficit-covering bonds by 1,250 billion yen compared with the previous year.

-- Minimize the scale of a supplementary budget, with only disasters-related expenses included.

-- Scale down the government's fiscal investment and loan program.

Sector-Specific Cutback Targets

(Public Works Projects)

-- Extend the period of the basic public investment project by three years.

-- Reconsider long-term public works-related

projects, focusing on an two-year extension of the period.

-- Study a review of specific financial resources,
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taking into account (the level of) emergency (of
each project) and economic conditions.

(Agriculture, Forestry and Fisheries)

-- Secure financial resources for the 6,010 billion
yen as expenses to cope with the Uruguay Round
agreement.

-- Delay the plan by two years.

(Defense)

-- Speed up the review of the current medium-term
defense power consolidation plan.

-- Put efforts into reducing expenses for
personnel, food, supplies and general operating
outlays.

(Official Development Assistance -- ODA)

-- Reduce the fiscal 1998 ODA budget.

-- Reconsider replenishments and contributions to
international organizations, including the
possibility of ending some

(Social Security)

-- Fundamentally revise the medical-fee and
medicine-pricing systems in the process of
reviewing the overall medical system.

-- Review boldly the annuity system, focusing on a
reduction in benefits from annuities and a rise in
the entitlement age for such.

-- End payments to elderly persons who find employment.

(Education)

-- Review the teacher-allocation improvement plan.

-- Introduce adequate school fees at national and public universities.

-- Slash more than 10 percent of the staff at national universities.

(Science and Technology)

-- Extend the period covering the basic science and technology program.

-- Strictly review such large-scale projects as the high-speed reactor "Monju."

(Staff Quotas and Personnel Cost)

-- Reduce new recruitments of national public servants and staff quotas.

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-- Trim spending by Dietmembers.

-- Work out constraint measures, keeping in mind there having been cases in which recommendations by the National Personnel Authority were frozen or delayed in implementing.

-- Study a drastic review of the wage system, such as introduction of an efficiency-based wage system.

(Subsidies)

-- No approval will be given to new subsidies in principle.

-- Adopt the sun-set formula thoroughly.

-- Scrap in principle subsidies for small companies, for corporations and organizations and long-term subsidies.

-- Carry out a far-reaching review and curtailment in subsidies for special corporations (tokushu hojin) and government-authorized corporations.

(2) Government Characterizes Environmental ODA as "Priority Area"; Boosts Outlays by 50 Percent, about 500 billion Yen more than International Pledge

MAINICHI (Page 3) (Full)
May 18, 1997

The Government made an international commitment in 1992 at the United Nations Environmental Development Conference (Earth Summit) in Rio de Janeiro, Brazil, that Japan would disburse 900 billion to one trillion yen for official development assistance (ODA) programs related to environmental affairs in the five years that ended in fiscal 1996. It was revealed, however, on the 17th that Japan actually provided 1.4409 trillion yen, which is 50 percent more than its international pledge. The Government will announce that figure at the industrialized nations summit (Denver Summit) in June. It also will announce at the United Nations special general meeting on environmental development, a forum to evaluate implementation of pledges at the Earth Summit, that "Japan will continue to make a commitment to the environmental ODA program as a priority area" (Foreign Ministry).

In an effort to keep its promise made at the global summit, the Japanese Government has adopted a special interest rate for yen loans for environmental projects which is 0.2 percent lower than that for general yen loan projects. It also has given special treatment to Mexico and Brazil, which are not entitled to receive yen loans because their average income levels per capita are higher than the threshold required for yen loans.

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For those reasons, Japan's disbursements for ODA environmental projects totaled 978.4 billion yen by fiscal 1995, exceeding the target. In fiscal 1996, Japan spent a record high of 462.5 billion yen for eight environmental ODA projects for China by offering the 4th tranche of yen loans. These projects made up 20 percent of Japan's entire ODA disbursements. Major ODA projects for China includes the promotion of city gas for Liuchou as an acid rain countermeasure, as well as construction of a filtration plant in response to an increase in water demand in Beijing.

There is no international definition of environmental ODA, but the Japanese Government defines it as the improvement of the living environment such as preventing water pollution, as well as preserving forests and making woodlands.

(3) Changing Okinawa: Governor Ota Shirks His Responsibility; Heavy Weight Consequently Imposed on Heads of Municipalities to Make a Decision (Part 1)

SANKEI (Page 1) (Excerpts)
May 13, 1997

The blue, crystal ocean stretches out around the Okinawa islands. The moment a research boat carrying fact-finders wearing a life-jacket and helmet was setting sail under the protection of patrol boats of the Maritime Safety Agency (MSA), a yell arose on the seashore.

The spot is 50 kilometers or so northeast of Naha City. The boat was about to leave the port for a preliminary survey -- that began on the morning of May 9 off Camp Schwab -- to see whether it is appropriate to construct a heliport there in response to the overall return of Futenma Air Station. Saying, "I had wavered in my mind for a long time," Nago City's Mayor Tetsuya Higa, who declared acceptance of such a survey, revealed his mind on his decision that was made alone and unaided.

On April 12 of last year, informed over the phone by Prime Minister Ryutaro Hashimoto that "both Japan and the United States have reached an agreement to return Futenma Air Station," Okinawan Governor Masahide Ota told him: "I am grateful for the Prime Minister's endeavors. Now it is our turn to offer across-the-board cooperation."

One year or so has passed since then. During that time, the central government repeatedly asked the Governor to act as a mediator so as to make it possible to get cooperation from Nago City, which has come up as a candidate relocation place, but it has been all through rejected by him.

A complete turnaround in Governor Ota's stance
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reportedly stems from "his miscalculation" (senior official of the prefectural government). In concrete terms, in last September, responding to the ruling by the Supreme Court on the proxy signing suit related to the forced use of land as U.S. military sites, the Governor agreed to put on public display legal papers (required to continue the forced use of land), but this response "met with stronger opposition than he expected from his backers" (same official).

"(The Governor) simply seems to try to avoid taking on the job. He is reluctant to take the blame." Governor Ota is thus criticized also by prefectural assembly members of the Social Democratic Party (SDP), the ruling party in the assembly.

Governor Ota, however, reiterates as if it had nothing to do with him: "(Whether to accept an alternative facility) is fundamentally a problem connected with the central government and relevant municipalities." Mayor Higa in the end had no choice but to make up his mind upon his own responsibility.

Nago City, which houses Camp Schwab, earns an annual income of approximately 1.2 billion yen from land rent by the city to the U.S. military.

"If this income is lost, we will be pressed to change the livelihood of residents in this area. I have always commented that return of base sites would be troublesome. There are pros and cons, but

why not leave this matter to myself, who will not inflict a loss on residents?"

Mayor Higa in explanatory meetings toward residents continued to persuade them by appealing on regional revitalization through relocation of a heliport, specifically giving regional promotional measures, such as Nippon Telegraph & Telephone's (NTT) telephone directory service and new hiring of teachers by inviting a national technical college.

But in a joint explanatory meeting toward 10 ward headmen out of the 13 wards in the region, all 10 headmen left the meeting without listening to detailed accounts from the Mayor.

In reaction to a preliminary survey this time, anti-survey residents backed by labor unions pitched a tent in the area of a fishing port near the candidate site so as to monitor such a survey, demonstrating they would block fact-finders' access to the area by force. In addition, a signature-collecting campaign has already been carried out to call for a referendum asking whether to agree to the relocation plan.

Meanwhile, Ginowan City, which houses Futenma Air Station (483 hectares) to be returned to it, has already compiled a basic plan for utilization of the site of the base designed to aim at building
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"an international exchange city in Asia." But regarding about 200 billion yen necessary for construction of infrastructure for that purpose, no prospects have come into sight.

The land rent paid to nearly 2,200 landowners of the air station site totals about 4.9 billion yen yearly. Aside from one-tsubo (3.3 square meters) anti-base landowners, this rent has become the precious daily bread of other landowners as they have been getting older and older. Shinya Katsura, a landowner who also is a member of the formulation

panel for the utilization of the site, expects some rescue measures, such as compensation for landowners, noting, "I do not oppose the return of the site, but I desire some action will be taken not to cause landowners to be badly off."

Under these circumstances, "military site-related business" anticipating an income from the land rent or sale of military land lots after the return (of the military site) shows a brisk move. Noticeable near the bases are signboards saying "Sale of military land lots." According to a real estate agent in Okinawa City adjacent to Kadena Air Base, one tsubo (3.3 square meters) of the air base is priced at about 100,000 yen, and the space per sale is 300 tsubo on the average, which is worth 33 million yen.

"In the case of Kadena, the land rent for 300 tsubo of land amounts to nearly 1 million yen yearly. The rent is hiked by three to five percent a year, so this is more profitable than just depositing money in a bank. At present, land transaction occurs at the pace of once a month, but even after the base site is returned, land itself will not lose its value, so there would be nothing to worry," explains this agent.

However, if the situation becomes complicated due to such matters as a referendum, the return itself of Futenma, a "long-cherished wish" of Okinawa Prefecture, might end in midair, like Naha Military Port, which has not yet been returned even now more than 20 years after the decision was made to return it, for where to relocate it has yet to be decided.

The prefectural government remains unable to devise any appropriate measures to deal with this matter, while residents near the bases are tossed back and forth. What will become of the problem of relocating the heliport has become a touchstone in drawing up a future blueprint for Okinawa.

(Hiroshi Harada)

(to be continued)

(4) Changing Okinawa: "Anti-Military" Notion
Found on Administrative Side; "Refusal of Continued
Use" toward Land Now Used by Self Defense Forces
(Part 2)

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SANKEI (Page 1) (Excerpts)
May 14, 1997

An "anti-military" principle has tended to affect problems related to administration in Okinawa Prefecture, including the problem of land-lease contracts for United States forces, which are to expire on May 14.

On March 4, the Naha Defense Facilities Administrative Agency (Naha DFAA) asked Okinawa City to allow the continued use of city-owned land (nearly 8.9 hectares) within the Ground Self Defense Force's (GSDF) Shirakawa base prior to the expiry of the land lease at the end of March, 2000. This base site, adjacent to the United States force's Kadena Air Base, accommodates the Hawk Missile unit.

However, Mayor Shunsei Shinkawa turned down the request, for the reason that a new lease would continue to be in effect for 20 years. The mayor stated that this "would shackle the next mayor's policy." This matter shows signs of giving rise to another land-lease dispute.

Regarding the expropriation of land for use by the U.S. military bases, the earlier-adopted amendment to the special land-lease law has made it possible to use land on a provisional basis even in the event of the formal title to the use of the land being expired. But in the case of land-use by the Self Defense Forces (SDF), there is no special legislation pertaining to forced use of land. Therefore, if something happens under the present situation, there is no other means but to rely on the Land Expropriation Law in the same way as in the case of general public works project sites.

However, even in the case of the land used by U.S. forces, it is incorrect to see that the problem has been completely resolved with the adoption of the amended special land-lease law. This is because according to the current revision, "provisional use will be possible while deliberations are underway in the prefectural expropriation committee" -- an approach that has the least binding force among the original three amendments examined by the central government.

According to an official who engaged in the process of formulating an amendment to the law, the central government at first in drafting special legislation searched for possibilities that would cover the SDF's land use, in addition to a drastic revision so as to "put the forced land-use proceeding, which until then had been entrusted to a prefectural government, into the hands of the central government as its direct responsibility." But in the end it abandoned that idea. That was partly out of "consideration for Okinawan people's sentiments," but the major reason was priority was given to a political goal (of the Liberal

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Democratic Party (LDP)) of winning over both the Social Democratic Party (SDP) and the Minshuto (Democratic Party of Japan) to the LDP's side.

However, a senior official of the DFAA states the amendment this time is nothing more than "putting the problem on the shelf," revealing the following potential:

The Okinawa Prefectural Land Expropriation Committee in its final ruling will likely shorten the time frame for the use of the land to "less than two years." At the same time, the 3,000 one-tsubo (3.3-square-meter) anti-base landowners would be subdivided as "floor-cushion landowners" or "handkerchief landowners." But the clerical steps for the forced land-use require two or so years even now. The DFAA consequently could not cope with this matter in terms of physical aspects. This is a "nightmare scenario" indeed.

Carried away by a makeshift means for the time being, politicians gave priority to "haggling" among parties over fundamental debate on security. This nature of politicians symbolically depicts this country as a country "paralyzed due to a long peaceful situation."

On April 9, in deliberating on an amendment to the special land-lease law, a question-and-answer-session took place at a meeting of the Lower House Special Committee. Responding in opposition to the call for withdrawal of U.S. Marines made by Okinawa Prefecture, Kyorin University Professor Tadae Takubo pointed out: "It would send the wrong message to North Korea."

In January, 1950, U.S. Secretary of State Acheson delivered a speech at the National Press Club in Washington in which he stated his view that the U.S.' Far-East defense line covers areas from the Aleutian Islands to Japan, Okinawa and the Philippines.

Half a year later, a war broke out on the Korean Peninsula, which had been considered to be outside of the defense line. The prevailing view now among experts is that Acheson's speech at that time "sent the wrong signal."

One thousand nine kilometers away from Vladivostok, 1,800 kilometers from Beijing, 1,500 kilometers from Manila, 1,250 kilometers from Seoul.... In the special April issue of Securitarian, a defense journal published by an external organ of the JDA, notes by using charts that Okinawa, in terms of a base to deal with an emergency, is located at almost equal distances from major cities in Asia.

The presence of U.S. troops on Okinawa is not only for dealing with possible contingencies on the Korean Peninsula. Professor Takubo states:
"(Troops) on Okinawa eye as far as the Bashi
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Channel and the Philippines. We have to recognize it as a point of strategic importance."

Okinawa will remain strategically important as long as the international situation near Japan continues to be non-transparent. It is thus not only superficial but also dangerous to draw up a future

picture of the security alliance from a simple, anti-military perspective.

(Masahi Kondo and Ryuji Sato)

(to be continued)

(5) "Studying in the U.S. Becomes a Little More" Difficult; 10 Percent of Applicants Rejected Now, Though No Barrier Existed in the Past; Drastically Shortened Term of Validity of Student's Visa, Tougher Penalties for Overstays, Obligation to Submit a Transcript

SANKEI (Page 1) (Full)
Eve., May 15, 1997

Studying in the United States is becoming increasingly difficult due to tightened controls by American authorities, even though in the past whoever wanted to go could do so without much trouble. One reason is the term of validity of a student's visa is shortened, and another reason is that under the amended Immigration Act that came into force in April, much stricter penalties for overstays have been imposed. Worries are being openly voiced, with various rumors and speculations flying around, especially among students who are now studying in the U.S. While this situation may be welcomed in the sense of stopping those whose desire to study abroad is not so serious, still
.....

(by Kazuhisa Haraguchi in New York)

In the past, the U.S. almost automatically issued a student visa once one applied along with submission of request for admittance to attend school in the U.S. under student status (I-20), in addition to papers proving one's ability to pay school expenses and so on.

But for the past several years the U.S. has requested students to submit a transcript from the Japanese schools they graduated from. In addition, cases of applicants who are rejected are on the increase. An agent engaged in consultations about studying abroad and as a proxy following the necessary procedures for that notes: "One out of 1,000 at most was rejected in the past, but now 10 percent or so of the applicants are turned don."

In addition, a student's visa in most cases expires within a year. Depending on circumstances, it runs out in only six months. If one has an I-20, which is effect even after one's visa runs out, one is
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not viewed as an overstay, but one has to continuously stay in the U.S. Once one leaves the U.S., one cannot re-enter it as a student. In fact, there was even a Japanese student who unwillingly had to skip graduation because this student was unable to re-enter the U.S., having temporarily returned to Japan without thinking of the consequences.

Under the revised Immigration Act, which restricts illegal immigration in a much stricter way, those who illegally stayed in the U.S. for more than 180 days to less than 360 days and those who did so in the U.S. for more than 360 days cannot allow to have any new visa nor can enter the U.S. without visas (for sightseeing and business purposes) for three years for the former and for 10 years for the latter.

In reaction to this suddenly tightened control, a variety of concerns are now sweeping across foreign students studying in the U.S. For example, Daiwa Nagata (23), a student of Berkeley College of Music in Boston who is to stay there for two years from last September, anxiously remarked: "It is rumored among foreign students that not more visas can be obtained after April or that it would become difficult to re-enter the U.S. if the valid term of one's visa is not long enough." In the case of Nagata, he once failed to obtain a visa, but later with difficulty, he got a student's visa of one-year validity.

"I learned after I came here that if one's I-20 is still effective, there is nothing to worry about, but I am still a little bit worried about the expiration itself of my visa. Before my visa expires, I will go to Europe to make a try as to whether to get a visa there." The revised Immigration Act stipulates that it is not allowed to apply for a visa or to get a visa in a third country, so if one's visa expires, one cannot apply for it in Europe.

In the case of Tomomasa Hakuto (23), a student of Delgado College in New Orleans, is desperate in gathering information on visa and the Immigration Act. He worryingly says: "I hear that it is no longer possible to get a social security card (necessary to obtain a driver's license, etc.) under a student's visa."

According to statistics by the Ministry of Justice, studying in the U.S. is most popular and is showing a tendency to increase in the future as well. For this reason, inquiries about this visa problem are on the rise in Japan, but a consul of the U.S. Embassy in charge of issuing visas rebuts: "We have not applied stricter screening standards than those we used in the past."

(6) Economic Structural Reform Action Plan:
Effectiveness of Deregulation?

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MAINICHI (Page 9) (Excerpts)
May 16, 1997

The government in an "action plan for reform and creation of an economic structure," released on the 15th, specifically indicated targeted years for its policy measures, centered on deregulation. The Mainichi Shimbun has probed into the details of major areas up for deregulation, such as electric power and information and communications.

Electric Power: Relationship between MITI and Power Companies May Become Tense

Electric power companies have yet to come up with specific measures to cut electricity rates -- the greatest showcase in the action plan. The "giant electric-power sector" is now expected to steer its direction toward a target for "rate cuts of 20 percent to the level of Germany by the year 2001." The possibility has now emerged that the relationship between the Ministry of International

Trade and Industry (MITI) and power companies will change into one of "tension."

MITI highly evaluates power companies' efforts to bring down electricity rates, but it intends to give them guidance by setting yet another target of "lowering rates once again in the year 2000." For the time being, efforts for "rate cuts will be focused on" promotion of efficiency in the procuring of materials and improvement of the operating rates of atomic power plants, but over the long range, the power generation industry will expend efforts, by setting two tracks: (1) Increase the operating ratios of power plants and (2) competition between power generation in the industry's power generation sector and independent power generators (IPP).

For improving the operating rates of power plants, establishment of power plants anew can be avoided, by holding down peak demand that occurs during the daytime in summer. A drastic reform of tariffs is expected to be implemented before the year's end.

(Yutaka Kinoshita)

Revitalization of Local Neighborhood Stores;
Functions of cities to be Reconstructed

In a bid to prevent downtown areas from drying up, a target for "revitalizing downtown areas" has been included in the plan. Concrete measures will be adopted before the end of this year. Each government agency has independently discussed such measures, but nine ministries and agencies, centering on the Ministry of International Trade and Industry (MITI) and the Construction Ministry (MOC) will make a joint effort to restore the functions of cities.

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Traditional shopkeepers' rows are sinking not only due to the change to an automotive society and

changes in people's lifestyle but also to the opening of large-scale stores in suburbs, which has been made possible by the easing of the Large-Scale Retail Stores (Daitenho). Under the action plan, much effort will be put into consolidation of roads and construction of public facilities and commercial facilities.

Reacting to the action plan, the LDP quickly set up on the 15th a "Downtown Area Revitalization Research Panel" (chaired by Policy Board Chairman Taku Yamasaki). The LDP is eyeing the possibility of submitting a downtown development bill from the position that "we are reflecting on our vertically fragmented system of administration. If we fail this time, there will be no remaining measures."

Student Internship; Discussion Needed before Introduction, Intertwined with Job-Placement Issue

The proposed promotion of an "internship system," which allows students to obtain a work-place experience for a certain fixed period, is aimed at fostering personnel with high-level expertise that can cope with changes in the industrial structure, but cautious discussion is needed regarding a method of introducing such a system. The system is supposed to effectively improve college education, which has been stagnant, centered on liberal arts, but it is anticipated that introduction of such a system is intertwined with the job-placement problem.

In addition, if the government is to act as a promoter of the system, it would be necessary to quickly work out the following issues: (1) Prevention of companies from making advance contracts of employments of college students who are to graduate next year; (2) grade of students eligible for such a system; and (3) remunerations to students.

(Koichi Fukuzawa)

Information and Communications; Likely to Help Post Ministry Strengthen Its Footing

Administrative Vice Minister Mitsuo Igarashi of the Posts and Telecommunications Ministry (MPT) proudly said, "Of items included in the action plan, issues related to information and communications fall under consolidation of the environment. They will work as a tool to prop up (the government-sponsored) six major reforms." That is because deregulation in that sector will lead to the strengthening of the ministry as a "policy-making ministry." MPT has already come up with measures to support consolidation of a next-generation

satellite mobile-device communications system, such as a portable television telephone system, and fiber-optic networks. The key to realizing "fusion UNCLAS SECTION 13 OF 16 TOKYO 004347

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of broadcasting and communications" -- showcase in the action plan -- would be promotion of digitalized broadcasting, the schedule for which has been frontloaded to the year 2000.

Laws have yet to be consolidated for fresh areas, such as electronic business transactions. The package includes consolidation of such a system before the year 2001 and consideration to standards and certification services. However, a full-scale project for implementing "electronic cash" has already been launched in the West. Japan is already lagging behind at the outset.

(Harumi Isowa)

Outline of Economic Structural Reform Plan

Preface: Yearly follow-up in a proper way to strive for promoting effective reform

I. Creation of new businesses

15 new areas: Regarding 15 promising areas, concerned government agencies are to jointly consolidate a system that enables a unified and quick response, when putting them into business.

Funds:

-- Remove a ban on the handling of public subscription to unregistered and unlisted stocks by brokerage houses through an amendment to rules set by the Securities Dealers Association.

-- Consider an investment business union before the year's end from the perspective of enabling smooth supply of funds from pension funds to venture-capital firms.

Personnel/Technology:

(1) Industrial-educational-bureaucratic alliance

-- Comprehensively promote introduction of an internship system from FY1998

-- Early consolidation of joint research development facilities by the private sector and the like within the facilities of national universities

-- Look into the possibility of national research centers' accepting research on consignment from private companies

(2) Develop comprehensive intellectual property strategies: (omitted by the paper, not by the translator; the same to apply hereinafter)

Promotion of High-Level Information and Communications

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-- Promote investments by private enterprises during the period up to the year 2000 for early consolidation of optical fiber networks across the country.

-- Consider systematic tasks, aiming at the full-scale dissemination of electronic business transactions before the year 2001

-- Realize an "electronic government" by the outset of the 21st century

II. Creation of Internationally Attractive Business Environment

1. Correct the high-cost structure

Drastic deregulation (omitted) (see the list of

nine areas)

Consolidate the Commodity Futures Market (omitted)

Improve business practices

-- Overall improvement of business practices, if there are problems, regarding materials and intermediate goods that have a large gap in domestic and overseas prices by the end of the year 2001.

-- Concerned government agencies are to conduct research and improve within FY1997 business practices employed for cement and steel used for construction work.

Reform Standardization System (omitted)

2. Reform various related corporate systems.

Corporate Organization System (omitted)

Corporate Taxation System: Consideration is to be given so that a conclusion is reached on an amendment to the FY1998 tax system

Corporate Pension System (omitted)

Corporate Information Disclosure (omitted)

3. Reform of Labor/Employment Systems

Adopt a basic direction for a review of the personnel dispatching business before the end of fiscal 1997, by compiling an interim report in September, and put it into practice immediately.

4. Consolidate Social Infrastructure and Improve Utility Efficiency (omitted)

5. Maintain and Develop local industries and Integration of Technologies that prop up the producing of goods (omitted)

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6. Revitalize Downtown Areas

In order to cope with the decline and drying up of downtown areas, local public entities are to improve the traffic environment, promote effective and high-level use of land, and to enhance and revitalize various kinds of the functions of cities, such as cities as the business or residential environment.

III. Hold down Public Burden (omitted)

Schedules for Correcting High-Cost Structure through Deregulation

Distribution of Goods: Scrap supply-demand adjustment with a 1997 - 2001 period as a target period

Electric Power: Set a target for improving power plant operating ratios

-- Consider the possibility of adopting within a year a system that allows competition on an equal footing in the power generation sector.

-- Revise electric rates once again in the year 2000 is anticipated, following a cut to be implemented in early 1998.

Petroleum: Consider the possibility of consolidation of conditions for competition in the oil-refining industry this autumn and on.

Gas: Consider what to do about the scope of oil supplies to be considered as large-lot supply within a year.

Information and Communications: Dissolve the gap in domestic and overseas rate levels before the year 2001.

-- Review the present licensing system applied to rate-setting and consider a price-cap system instead to be introduced in 1999.

Financial Service: Clarify before June the overall picture of the proposed plan designed to be completed by the year 2001.

Land: Review the Plant Location Law by the end of September, 1997

Distribution: Look into the possibility of a drastic revision to the Large-Scale Retail Store

Law, including legal measures, before the end of December this year.

Others: Limit foreign capital participation restrictions to the lowest level in areas other than those that are in place for security reasons, before the year 2001.

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(1) EDITORIAL: U.S. Strategy in Transition Period and Japan

ASAHI (Page 5) (Full)
May 21, 1997

On the question of how the United States should set its military strategy and operations for the 21st century, the Department of Defense (DOD) has given one answer in the form of the Quadrennial Defense Review or QDR, which is a set of defense planning proposals issued every four years.

The principal theme of the study, a two-front responsive strategy, has been the bedrock principle of the post-cold war period since the Bush administration.

The objective is to keep the composition of troop strength and deployment of troops to the level necessary to win a victory even if a large-scale war breaks out simultaneously on both the Korean Peninsula and in the Persian Gulf region.

Secondly, the draft indicates anew a firm determination to maintain the 100-000-troop level in the Asia-Pacific with emphasis placed on regional stability.

The absolute proposition for the U.S. is to bring to realization balanced finances in five years. The review proposal therefore includes: cutting the troop strength of servicemen on the active list by 60,000 to two-thirds of the level that existed in 1989 when the cold war ended; curtailing procurements of next-term major fighters and

vessels; and boldly streamlining DOD and closing some of domestic bases.

However, no major change is included regarding UNCLAS SECTION 02 OF 14 TOKYO 004431

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carrier task groups, the Marines and the Air Force's mainstay fighting strength.

Forward deployment acts as a deterrence against disputes. Maneuverability in dealing with disputes. Strengthening of alliance. Through these, the U.S. will maintain its influence, a basic post-cold-war strategy. On the other hand, according to the draft, efforts will be made to be coherent to finances by restructuring the organization.

This proposal, after deliberations by an independent agency, will be formally approved by the end of the year.

Japan has offered land for military bases eyeing areas from the Korean Peninsula to the Middle East and now is in the process of reviewing the guidelines for Japan-U.S. defense cooperation. On the other hand, it has the Okinawa problem. The question is then how Japan should face this U.S. military strategy.

What is paramountly important for Japan is its attitude to evaluate the U.S. perception of Asia as is indicated in the QDR and then put forward its own perception.

What is still considered a threat to the Asia-Pacific region is movements of the Democratic People's Republic of Korea (North Korea).

A certain level of military-deterrence effort is indispensable, provided that it is within the scope of uselessly heightening tensions on the Korean Peninsula, but the key lies in multilayered diplomatic efforts needed to let North Korea make a

softlanding into the international community.

How about China? Secretary of Defense Cohen clarified that 100,000 troops are kept in place, considering the future military strength and "unclear intentions" of China. Taiwan has become a thorny issue for both the U.S. and China. But in this respect, Japan has to have its own perspective.

Asian countries, partly out of their concern over the possibility of China becoming a military superpower, for now accept deployment of American troops.

However, it is nonetheless never allowed to choose a way to use the security arrangement as an instrument to contain China on the strength of the Japan-U.S. alliance. In reviewing the defense cooperation guidelines, greater consideration should be paid to this matter.

The next QDR will come in the first year of the 21st century. Over the next four years, East Asia will probably experience drastic changes.

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Fortunately, this region is blessed with strong economic vitality enough to promote political stability. If the Korean Peninsula situation moves into being stabilized, it is only natural that the U.S. will be pressed to change its military strategy.

It can be safe to say that the QDR underlying the maintenance of the status quo is a tactic in preparation for this transition period.

Diplomacy could lessen tension-contained factors and beef up the international framework to prevent disputes. Unlike in the cold-war era, it is an age when Japan could play a key role in this sphere.

If the U.S. military strategy may impair the

stability of the region, Japan as an ally needs to say so without reserve.

(2) EDITORIAL: "Domestic Internationalization" an Urgent Task

NIHON KEIZAI (Page 2) (Full)
May 21, 1997

Total direct investments in Japan from abroad (in 1995) was one thousandth of those that the United States received and one five-hundredth of the amount that England and China each recieved. Such "inconceivable" figures were shown in the White Paper on Trade released (by the Ministry of Trade and Industry) yesterday.

Observers have long been pointing out the extremely low level of foreign capital flowing into Japan, compared to industrialized nations and even developing countries. The figures given in the white paper once more amazed us.

The term "internationalization" means not only the outflow of persons, goods and money but the inflow of the same from overseas. The figures cited above apparently indicate Japan's distorted state of "internationalization." When thought is given to the major trend in the global economy, such a situation must be considered a problem.

That "major trend" indicates that an international division of labor is advancing. In the manufacturing industry sector, drives are going on among companies in industrialized countries to relocate production basis to developing countries. Industrialized countries have shifted weight to such fast-growing sectors as advanced technology and financial services.

A matter of concern for industrialized countries is how to promote concentration of new fast-growing industries. In this respect, Japan has largely lagged behind the U. S. and Europe. In order to retrieve the delay, Japan should overhaul its high-cost structure by attracting overseas investments.
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This is the recognition and conclusion presented in the trade white paper.

We agree to this view. But this white paper did not referred to any specifics and introduced no more than general arguments, leaving something to be desired, although that seems to be the usual course of white papers. How will Japan be able to continue to play the "lead role for networks for the international division of labor?" How can "the foundation be re-constructed for more sophisticated industrial development?" Such specific points are essential. We should not let the goals of white papers end up "nothing but pie in the sky."

The future course Japan should take is obvious. Japan first should arrange systems to attract overseas persons, goods and money into Japan and to make use of them positively. To that end, each government agency should give priority to deregulation. Given global-scale deregulation competition now progressing, Japan is urged to tackle this task without a moment's delay.

The Government and every level of our society, which now harbors a sense of alarm, need to now tackle "domestic internationalization."

(3) Crucial Moment for Upper House, Which Holds Key to Passage of Vital Bills; Less than One Month Left Until Diet Adjourns; Not Enough Time for Deliberations on Nursing-Care Bill

TOKYO SHIMBUN (Page 2) (Full)
May 20, 1997

Now there is only less than a month left until the Diet adjourns on June 18. Almost all government-sponsored bills are expected to be put to the Upper House within this week. However, the Upper House has yet to deliberate on the amendments to the Health Insurance Law and some other laws, which were moved to it on the 8th this month. The government has no intention of extending the Diet session. Chances are, therefore, there may not be enough time for the Upper House to deliberate on the nursing-care insurance bill. All the more due to friction between Lower and Upper Houses, it is the Upper House that holds the key to passage of those important bills.

Unusual Request

The outlook is that the Lower House will put the

nursing-care bill and the amendment to the Bank of Japan Law to a committee vote as early as on the 21st. The remaining bill for establishing financial surveillance agency will also clear the Lower House next week. The Upper House has to deliberate on 48 bills before the Diet session adjourns.

Its deliberation schedules are tightly packed:
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"There are only 21 days left, excluding Saturdays and Sundays" (Mitsuhiro Uesugi, chairman of the Upper House Liberal Democratic Party (LDP) Diet Policy Committee).

Under these circumstances, the government and the LDP is giving the highest priority to deliberations on a bill amending the Health Insurance Law, which is absolutely necessary in reconstructing state finances. Prime Minister Ryutaro Hashimoto on the 16th specially called on the Upper House LDP officers' office and made an unusual request, saying; "I would like to request your good office regarding the Health Insurance Law."

The bill was put to the Upper House with the comment that if there is any dissatisfaction with revisions made by the Lower House, the Upper House can correct them. Such being the case, Secretary General Masakuni Murakami of the Upper House LDP, has pointed out, "The opposition parties are insisting that 'they cannot deliberate on such a defective amendment.'" His statement indicates the perception that the reason why the Upper House is unable to enter into deliberations can be pinned on the Lower House.

However, the Upper House side has no intention of delaying the start of deliberations pointlessly. It reaffirmed at a meeting of senior officials of the LDP, SDP and Sakigake held on the 19th that it would accord the highest priority to passage of the amendment to the Health Insurance Law. It intends

to start deliberations as early as on the 23rd.

Time Is Up

Even if deliberations on the amendment to the Health Insurance Law by the Welfare Committee are started, there will not be sufficient time to cover the nursing-care law bill, which is also under the jurisdiction of the Welfare Committee. Deliberations on the amendment to the Health Insurance Law took 45.5 hours. The Committee holds regular sessions two days a week. It then comes out that if the Upper House is to spare the same amount of time on deliberations on the amendment, deliberations will be completed only just before the Diet session adjourns.

As it stands, there is no sufficient time left for the Upper House to deliberate on the nursing-care bill. The LDP, SDP and Sakigake are in agreement on aiming at its passage during the current Diet session, but the situation is that it is physically difficult.

Regarding organ transplant bills, on which deliberations started on the 19th, the third bill, in addition to two other related bills, which are already before the Diet, is expected to be submitted at the initiative of the Upper House LDP, but the Upper House is sticking to the stance of

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"carrying out deliberations in a cautious manner" (Murakami). Passage of those bills during the current Diet session is unlikely.

In the meantime, the LDP, SDP and Sakigake of the Lower House will coordinate the handling of bills submitted by lawmakers. The Lower House will start deliberations on the sports promotion voting bill (soccer lottery bill). However, deliberations on such by the Upper House will likely take time, because some parties are opposing introduction of a soccer lottery.

The LDP, SDP and Sakigake intend to make joint proposals regarding a bill on administrative surveillance and an amendment to civil law to allow married couples to have different surnames.

(4) Fiscal Structural Reform Council's Memorandum; Measures for Substantial Cuts Have Yet to Be Proposed; Focus of Final Report Is Setting Numerical Targeting

YOMIURI (Page 17) (Excerpts)
May 17, 1997

The Planning Committee under the Fiscal Structural Reform Council has mapped out a "streamlining memo for raising problems" that include proposals for curtailing the public works projects and agricultural budgets -- the focus of the nation's effort to ax expenditures -- by "stretching out the terms" of the basic public investment plan, various public works projects plans, such as construction of roads, and Uruguay Round (UR) agricultural countermeasures. However, the memo falls short of clear-cut guidelines for a review of the conventional budget compilation method, under which the largest portions of budget funds are earmarked in a supplementary budget and a review of the special funding resources system, which is posing obstacle to government effort for curtailing public spending. That is because Diet policy cliques are strongly putting up resistance to proposed spending cuts. The Reform Council is scheduled to compile a final report before the end of May. The real value of the Reform Council will be on trial regarding how it will set numerical targets for specific spending cuts and to what extent it will be able to include reduction measures matching "structural reform" as advocated by the Hashimoto Cabinet.

(Masami Masuda)

The "five reform principles" adopted in March by the Fiscal Structural Reform Council specifically mention that "there should be no protected sanctuaries" in reforming and curtailing public expenditures, characterizing the three years until the end of this millennium as an "intensive reform period." Estimate budget requests for public works projects and the agricultural budget are made on the basis of various long-term public works

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projects programs and UR countermeasures projects. A method of curtailing funds to be appropriated to those measures each year by "stretching out the terms" of such projects is to some extent meaningful as a symbol of "fiscal retrenchment" in the sense that "public works projects and the agricultural budget, which have been treated as sacrosanct areas, are not exceptions to spending cuts" (senior official of the Ministry of Finance (MOF)).

However, just lengthening long-term public works projects programs, while keeping their total amounts intact, does not hurt concerned ministries and agencies and Diet cliques (zoku) very much. It is a type of reform that can be most easily accepted. It is absolutely necessary to uproot elements that might lead to budgetary expansion, by realizing substantial spending cuts following the principle of "no sanctuaries."

MOF Minister Hiroshi Mitsuzuka has announced a policy line of not earmarking funds to be allocated to UR countermeasures in a supplementary budget in future fiscal years, but if such funds are instead earmarked in the regular budget, without compressing other agricultural budgetary items, it will only expand agricultural budgetary funds in the regular budget.

The point is whether it is possible to curtail the agricultural budget as a whole, while stop treating UR countermeasures in a separate framework. The memo, however, simply mentions, "It is necessary to constrain the amount of budgetary funds to be earmarked during the intensive reform period (FY1998 - FY2000)."

As to special funding resources, which are one cause of the ossified way of allocating budgetary funds to public works projects, the memo only refers to specific duties levied on autos, which are originally categorized into general funding resources but customarily treated as road-related special funding resources. In addition, it adopts vague expressions: "A review should be made to special funding resources during the intensive reform period."

In articulate wording in the streamlining memo indicates that Diet policy cliques are putting up strong resistance to drastic reform.

In the final-stage work of consolidating views for formulating a final report scheduled to be started early next week, the focus will be to what extent the Reform Council can make progress in indicating numerical targeting for sector-by-sector spending cuts. In order not to have the setting of numerical targets end up as figure adjustment, a major task is to holding back resistance coming from Diet policy cliques and various government agencies.

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Sector-by-Sector Agenda Items Proposed in Streamlining Memo

Public Works Projects

Public works projects are the key to implementing fiscal structural reform. In that sector, there are the basic public investment program (630 trillion yen is to be allocated over ten years beginning in fiscal 1995) and 16 long-term plans. The memo hints that there would be no change in the total amount of those long-term plans. It instead proposes a "substantial reduction, by stretching out the terms of those plans." The possibility is high that the basic plan would be lengthened by three years or so and two years for other long-term plans as indicated in the Liberal Democratic Party's (LDP) plan.

For a review of the rigidified shares of public-spending funds held by each government agency, the memo proposes that economic reform-related projects be given priority during the intensive reform period until the year 2000 and especially in the FY1998 budget, the government and the ruling parties adopt a policy line regarding the allocations of such funds. However, it is doubtful

whether they can come up with a way to distribute funds in a modulated manner.

Specific duties levied on autos are the only duties listed for a review of road-related special funding resources.

ODA

The latest of the medium term targets for official development assistance (ODA), five of which have been set starting in 1978, expires at the end of the year. The government has decided "not to set a new target." As a result, a mid-term ODA target, which has served as Japan's external pledge for international contribution, will disappear.

Concerned government agencies, such as the Foreign Ministry will map out before the end of this year an alternative "action plan" that sets a path for a "changing from quantity to quality." ODA funds will undergo a strict vetting process regarding their use, based on evaluation on their track record and efficiency.

The memo specifically mentions that growth in the scale of the ODA budget for fiscal 1998 be "put in the negative, compared with the level of the year before" -- the first drop in year-on-year terms. The government is now looking into the possibility of (1) reviewing disbursements to international organs; and (2) lightening the fiscal burden of yen loans, taking into consideration an increase in collection on loans.

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Transport

The streamlining memo indicates a basic policy line for the handling of long-term debts carried over from the former Japanese National Railways, noting, "Easy-going handling of those debts such as to defer the burden to future generations by switching

them to the general account, should be avoided." However, the memo stops short of going into specific arguments on funding resources for repayments. It simply notes, "Studies should be conducted on every possible option on an individual and concrete basis." Road-related special funding resources, such as the volatile oils tax, and the traffic use tax and additional burdens on the various JR companies have been proposed as subjects for consideration for funding resources for such repayments, but construction-related lawmakers and the JR companies are firmly determined to oppose such a proposal.

Regarding consolidation of the Shinkansen (bullet train) networks, the memo in a way sets a limit, once more indicating, "It is necessary to treat such a plan in a proper manner so that it will not contradict the nation's effort to restore health to national finances."

Agriculture

The memo carries two arguments on the budget for UR countermeasures -- a step necessitated a result of the opening of the rice market -- "reduction" or "lengthening the term." In addition, it also points out that "it is necessary to constrain budgetary funds to be earmarked" during the next three years.

However, as a result of tough resistance from the agricultural subpanel of the LDP, it has virtually been decided that "the total amount of 6.01 trillion yen should be secured" and that the period of the implementation of those countermeasures should be lengthened by two years (until fiscal 2002)." A two-year extension of the term will greatly reduce a budgetary amount to be earmarked in a single year. However, inclusion of UR countermeasures funds, which have until now been earmarked in a supplementary budget, in the regular budget and the handling of such in a "separate framework" from regular agricultural budgetary items will buoy general operating outlays by several hundred billion yen. Coordination has yet to be made on this issue.

The national forestry business is strapped with accumulated debts of 3.5 trillion yen. The memo in a way condones the "scrapping of a self-supporting accounting system" as proposed in the LDP plan, urging, "Drastic reform, including reform of the form of its management is needed." Placed on the agenda are promotion of efficiency in the forestry budget, including a sweeping cut in the personnel

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of the Forestry Agency and the securing of new funding resources, including a possible adoption of a water-supply source tax.

Social Security

The Council has come up with this view: "A drastic curb on social security funds is needed so that the public burden will not exceed 50 percent even when the aging society peaks." In the medical area, reform of the drug price standards system has been urged. A drastic reform of the insurance system for the elderly has also been sought in order to bring on impartiality.

For reform of the pension system, the memo specifically calls for reducing the total amount of the payments of public pensions, by lowering the payment level and promoting a review of the age entitled to receive pension payments. It also spells out the necessity of taking a second look at the payments of pensions and medical allowances to elderly people with income higher than a certain fixed level. These areas are untouched areas, but the memo does not indicate any concrete arguments.

Local Finances

As measures to reduce fiscal deficits carried by local governments, the memo calls for local governments to compress their borrowings (outstanding balance for fiscal 1997 is 15 trillion yen) from the special tax allocation to local governments account and funding resources countermeasures bonds (outstanding balance for fiscal 1997 is 6.5 trillion yen), both of which are in place in order to cover local autonomous entities' revenue shortfalls. The memo points out the necessity of local finances being in harmony with national finances by means of constraining general operating outlays in local finances below their nominal growth rates and aiming at negative growth in the fiscal 1998 budget in year-on-year terms.

For the calculations of tax allocated to local governments and the allocations of local government bonds, the memo indicates the possibility of introducing a mechanism that will reward in the form of increase in tax to be allocated to them and local government bonds local governments' efforts to restore sound fiscal conditions.

(5) Gap Elimination Still Remains Difficult Problem

ASAHI (Page 2) (Full)
May 15, 1997

The task of eliminating gaps existing between Okinawa and the rest of Japan -- such as the concentrated presence of U.S. military bases on that island prefecture -- still remains the core
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problem of Okinawa even today, when Okinawa has just celebrated the 25th anniversary of its reversion to Japan. Touched off by a schoolgirl rape incident involving American servicemen in September of the year before last, the Government set up a number of panels, such as the Japan-U.S. Special Action Committee on (Facilities and Areas in) Okinawa (SACO) and the Cabinet-level Okinawa Policy Consultative Council, and now finally, it has begun making full-fledged efforts to reduce the bases on Okinawa and to work out a package of promotional measures for the economy of Okinawa. However, even in the case of the timetabled return of the U.S. military's Futenma airfield, which can be called the biggest achievement to date, there are many difficult problems blocking the way, such as opposition from the local community where a facility is planned for construction to replace the one vacated at the Futenma airfield, which will be relocated. The Asahi Shimbun probed into the present and future of the Government's Okinawa policy.

Base problem: barrier to continued land
expropriation and training relocation

With prospects obtained for such issues as the expiry of land leases for U.S. forces, Government officials are now feeling at ease. Meanwhile, however, the total acreage of U.S. military bases on Okinawa has only been reduced from the 27,850 hectares at the time of Okinawa's reversion to the new level of 23,500 hectares, and the U.S. military presence on Okinawa still accounts for 75 percent of all U.S. military bases in Japan. SACO agreed last December to return land lots to the extent of about 5,000 hectares, and the task now assigned to the Government for the present is to implement that agreement.

As for the planned construction of a sea-based (helicopter) facility for the Futenma airfield, the Government on the 9th of this month conducted a preliminary feasibility survey of the candidate construction site in the waters off Camp Schwab. The Government will now go ahead with an environmental assessment to look into such elements as possible effects on the environment and fisheries. After that, the Government will start a full-fledged survey, such as test boring, and will then decide formally on where and how to construct the alternative facility.

However, the Government has explained to Nago City and other local municipalities that "conducting a survey is one thing, and whether or not to actually construct it is another." So, if the Government decides to start construction work there, such a decision will inevitably incur strong reactions. The Defense Facilities Administration Agency admits, "Difficulties ahead are beyond comparison with those we experienced in the past."

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In the meantime, the U.S. military's live-fire
artillery training in Okinawa across its

Prefectural Road 104 traffic is now planned to be relocated to mainland prefectures. For its relocation from Okinawa to somewhere else in Japan, the Government has now secured five relocation sites and will shortly enter into consultations with the U.S. side on a training implementation plan for the current fiscal year. However, the USFJ would like to carry out that training at one of those places in the current fiscal year and also would like to continue the rest of that training in Okinawa. So, this issue is still likely to take time before reaching a settlement.

Troop-strength cuts: no specifics envisioned for consultations

In April last year the Japanese and U.S. Governments issued a joint security declaration, which probed into the two countries' post-cold war bilateral security arrangements. That joint declaration was the first thing to incorporate the two governments' agreement to "consult closely on military postures, including the structure of U.S. forces in Japan." So, there is now a framework that will enable the Japanese side to propose reductions in the U.S. military presence. However, specifics have yet to be clearly stated regarding such consultations.

In what way should the international situation change for there to be a drawdown of the USFJ, which currently maintains a troop level presence of 47,000? How is Japan going to be involved in that change? Such questions are primary concerns to Okinawa, which is still suffering from the heavy pressure of U.S. military bases even after its reversion. But such a prospect remains unclear.

In order to let the issue of amending the special land lease law make a soft landing Prime Minister Ryutaro Hashimoto at one time indicated his enthusiasm for embodying "close consultations." But after the Clinton Administration started its second term, a number of high-ranking U.S. Government officials visited Japan one after another and made it clear that the U.S. would maintain the current level of its troops (in Japan). Since then the Prime Minister has backed off.

An environment for Japan and the U.S. to stand on an equal footing for bilateral consultations on the USFJ's troop strength is unlikely to be prepared for the time being.

Promotional package: deregulation not in sight

To date the Government has made a cumulative

investment into Okinawa since its return to Japan of nearly 5 trillion yen in budgeted funds, just related to the Okinawa Development Agency alone.
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The Government has now decided also on other measures, such as lowering airline fares, distributing local allocation tax grants (to Okinawa) on a priority basis, and establishing a system to exchange students with foreign countries. "Okinawa has not been ignored since it was returned to Japan," says a high-ranking official of the Government. Indeed, the rate of Government subsidies in Okinawa Prefecture's gross expenditures has increased from 23.4 percent (in 1972) to 31.7 percent (in 1994). But an arrangement that at one time caused Okinawa to depend on the central government's budgetary appropriations related to U.S. forces, now has developed into the present situation in which Okinawa cannot afford to break away from its dependence on Government subsidies.

One of the goals set by Okinawa Prefecture is to construct an international city with a free trade zone and a special multimedia zone. Okinawa has now asked the central government to implement a set of deregulation measures like those in 'one country under two different regimes' -- including visa waivers and corporation tax relief, measures that could induce tourists and businesses to come in.

The Government will begin full-fledged studies on a package of long-term promotional measures (for Okinawa) after seeing such elements as a blueprint to be shortly announced by Okinawa Prefecture for its concept of an international metropolis. Regarding the proposed idea of one country under two different structures, the three ruling parties are to reach a conclusion within the year, but no specific vision has yet to take shape.

(6) Large Store Advisory Council: To Reduce Store Space for City-Planning Reasons; Seiyu Store in

Chofu City Reduced 30 Percent; Influence Likely on Large Store Openings

NIHON KEIZAI (Page 1) (Full)
Eve., May 21, 1997

The Kanto subcommittee of the Large-Scale Retail Store Advisory Council (Large Store Council), meeting on Seiyu (Company's) plan to open a store in Chofu City in Metropolitan Tokyo, today decided that the floor space of the store was to be reduced 30 percent. What is noteworthy in this decision is that the Governor of Tokyo Municipality asked the company to revise its plan, citing as the reason the effect on urban planning. This is the largest scaling back of a large store plan in Tokyo since the application of the Large-Scale Retail Store Law (Large Store Law) was eased in May 1994. There have been examples of local governments requesting that floor space be reduced, after taking into consideration the impact on local retail merchants, but this is the first time that such has been basically questioned in connection with city planning. If such actions catch on, it could have

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an impact on government policy toward the opening of large stores in Japan.

The shopping center The Mall Chofu is slated to open in Chofu City in October 1998 on the site of an abandoned sewing machine factory now leased from the Juki Company. Seiyu, which will have the core store in the mall, notified the city of its plan to open store with floor space totaling 16,724 square meters, but the results of the council's deliberation was not only to ask for a reduction to 11,707 square meters, but also to delay the store opening until after April 1, 1999.

In the same city, there is a local authority-sponsored plan to construct a building for downtown revitalization that would have as its core store the grocery supermarket Fuji City (Yokohoma City

based). In March, the Governor of Tokyo submitted his opinion paper that the Seiyu store opening "would have a harmful effect (on the redevelopment plan) and make planned urban rebuilding difficult." The Large Store Council also cited the effect on redevelopment which local retail merchants are participating in.

At the same time, the Kanto subcommittee has made a decision regarding Jusco, which plans to open a store on an unused industrial site in Shizuoka City asking it to reduce its store space by 18 percent. The company notified its plan for an 18,500 square meter store, but the decision asked it to open a 15,170 square meter store. There was agreement in the local views collected that there should be "a freeze on store openings," citing such reasons as traffic jams in the neighborhood around the proposed new store. The Chamber of Commerce of Shizuoka presented its opinion paper to the Large Store Council saying that the local views should be respected.

DEMING

SECT: SECTION: 01 OF 14

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. cable	Re: Military Port Relocation (5 pages)	05/22/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[05/16/1997 - 06/05/1997]

2016-0420-F
sb1904

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. cable	Re: Okinawa Artillery Training Relocation (5 pages)	05/23/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[05/16/1997 - 06/05/1997]

2016-0420-F
sb1904

RESTRICTION CODES

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

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Cable

PREC: IMMEDIATE
CLASS: UNCLASSIFIED
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LINE2: ZNR UUUUU ZZH
LINE3: O 270509Z MAY 97
LINE4: FM AMEMBASSY TOKYO
OSRI: RUEHKO
DTG: 270509Z MAY 97
ORIG: AMEMBASSY TOKYO
TO: RUEHIA/USIA WASHDC IMMEDIATE 5015
RUEHC/SECSTATE WASHDC IMMEDIATE 6778
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RHHMUNA/USCINCPAC HONOLULU HI//USIA//
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RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUEKJCS/JOINT STAFF WASHDC//J5//
RHEHAAA/WHITE HOUSE WASHDC
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RUEKJCS/SECDEF WASHDC
RUCPDOG/USDOC WASHDC
RUEAIIA/CIA WASHDC
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS MAY 27

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 06 TOKYO 004556

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 MAY 27

TOP HEADLINES:

ASAHI: ORDERS FOR PAYMENT OF COMPENSATION DUE TO
DEFAMATION OF CHARACTER; FIRST SUCH RULING BY TOKYO
DISTRICT COURT; 500,000 YEN AS COMPENSATION BY PROVIDER
SIDE; "SLANDERED THROUGH PC COMMUNICATIONS"; "OBLIGATION
TO DELETE," THOUGH SUCH SLANDER LEFT UNTOUCHED FOR ONE
MONTH"

NIHON KEIZAI: FISCAL REFORM PANEL'S DRAFT OF OUTLAY CUTS: PROPOSAL TO BROADLY CONSTRAIN PUBLIC INVESTMENT TO THE SAME LEVEL AS THAT OF THE IMMEDIATE POST-BUBBLE ECONOMY (FY1992); MEDICAL INSURANCE REFORM WILL START IN FY1998 (TRANSLATION BELOW)

TOKYO SHIMBUN: FISCAL REFORM PANEL DECIDES ON REPORT FOR OUTLAY CUTS; TO CONSTRAIN THE SIZE OF PUBLIC INVESTMENT; SEEKS TO FREEZE IN EFFECT CONSTRUCTION OF NEW BULLET TRAIN RAILWAYS

MAINICHI: FISCAL REFORM PANEL COMPILES AN INTERIM REPORT; SUGGESTS CONSTRAINING SOCIAL SECURITY, AS WELL AS PUBLIC INVESTMENT

YOMIURI: FISCAL REFORM PANEL APPROVES REPORT BY PLANNING COMMITTEE; SOCIAL SECURITY OUTLAYS PROPOSED TO BE CAPPED; TO PUT ON FREEZE CONSTRUCTION OF NEW BULLET TRAIN RAILWAYS; NO REDUCTION PLAN INDICATED IN AGRICULTURAL AREA

SANKEI: FISCAL REFORM PANEL APPROVES REPORT; PROPOSES TO REVIEW MEDIUM-TERM DEFENSE POWER CONSOLIDATION PLAN WITHIN THE YEAR; THREE PROPOSALS CONCURRENTLY INDICATED REGARDING SOCIAL SECURITY; DIRECTION FOR OUTLAY CUTS SHOWN

OPINION: PUBLIC SUPPORT FOR CABINET AT 45 PERCENT (ASAHI - PAGE 2)

A NATION-WIDE TELEPHONE POLL BY THE YOMIURI SHIMBUN FOUND THAT 45 PERCENT OF RESPONDENTS SAID THEY SUPPORTED THE HASHIMOTO CABINET, WHILE THOSE WHO DISAPPROVE OF THE CABINET ACCOUNTED FOR 35 PERCENT. IN THE INTERVIEW-BASED SURVEY CONDUCTED ON APRIL 20 AND 21, THE PUBLIC APPROVAL AND DISAPPROVAL RATINGS OF THE CABINET WERE 44 PERCENT AND 38 PERCENT, RESPECTIVELY. JUST AFTER THIS SURVEY, THE HOSTAGE CRISIS AT THE JAPANESE AMBASSADOR'S RESIDENCE IN PERU SAW A CONCLUSION, BUT THIS SEEMS TO HAVE HAD LITTLE EFFECT.

ASKED ABOUT POLITICAL PARTIES, 29 PERCENT SAID THEY SUPPORTED THE LIBERAL DEMOCRATIC PARTY (LDP); 6 PERCENT SUPPORTED THE OPPOSITION SHINSHINTO (NEW FRONTIER PARTY); 5 PERCENT FAVORED THE MINSHUTO (DEMOCRATIC PARTY OF JAPAN); 4 PERCENT CITED THE JAPAN COMMUNIST PARTY (JCP); AND 3 PERCENT SUPPORTED THE SOCIAL DEMOCRATIC PARTY. IN THE APRIL POLL, THE LDP APPROVAL RATING WAS 34 PERCENT.

FISCAL RESTRUCTURING PANEL DRAFTS REPORT, CALLING FOR SLASH IN PUBLIC INVESTMENT (NIHON KEIZAI - TOP PLAY)

AT A PLENARY SESSION OF THE GOVERNMENT/RULING CAMP-SPONSORED FISCAL STRUCTURAL REFORM COUNCIL (CHAired BY PRIME MINISTER RYUTARO HASHIMOTO) HELD YESTERDAY, SECRETARY GENERAL KATO OF THE LIBERAL DEMOCRATIC PARTY (LDP) SUBMITTED A SPENDING-CUT DRAFT REPORT PREPARED BY

THE PLANNING COMMITTEE UNDER THAT COUNCIL. THE DRAFT TAKES THE VIEW THAT PUBLIC WORKS PROJECTS BE CONSTRAINED ON A WIDE SCALE TO LEVELS RECORDED IMMEDIATELY AFTER THE ECONOMIC BUBBLE YEARS, WHEN FUNDS FOR PUBLIC SPENDING WERE FIRST EARMARKED IN A SUPPLEMENTARY BUDGET AS AN ECONOMIC PUMP-PRIMING MEASURE. A PROPOSAL HAS BEEN MADE FOR DRASTIC REFORM OF THE MEDICAL INSURANCE SYSTEM, UNCLAS SECTION 02 OF 06 TOKYO 004556

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 MAY 27

INCLUDING POSSIBLE SCRAPPING OF THE OFFICIALLY-SET DRUG PRICE STANDARDS SYSTEM BEGINNING FY1998. THE REPORT ALSO PRODS LOCAL GOVERNMENTS TO MAKE STRICT SPENDING-CUT EFFORTS IN THE SAME WAY AS THE STATE.

DRAFT PLAN FOR SPENDING-CUT MEASURES

1. LAUNCH A DRASTIC REFORM OF THE MEDICAL INSURANCE SYSTEM BEGINNING IN FISCAL 1998, INCLUDING SCRAPPING THE CURRENT DRUG PRICE STANDARDS SYSTEM AND INTRODUCTION OF A SYSTEM FOR FIXED-AMOUNT PAYMENTS TO THE CHRONICALLY ILL (INVALID).
2. DOWNSIZE THE SCALE OF PUBLIC INVESTMENTS IN REAL TERMS, BY LENGTHENING THE TERM OF THE BASIC PUBLIC WORKS PROJECTS PLAN.
3. DISTRIBUTE BUDGETARY FUNDS FOR PUBLIC WORKS PROJECTS ON A PRIORITY BASIS IN THE FY1998 BUDGET, BY ESTABLISHING A SPECIAL FRAMEWORK FOR PROMOTION OF MORE EFFICIENT DISTRIBUTION, ,ETC.
4. FRONTLOAD A REVIEW OF THE MEDIUM-TERM DEFENSE CONSOLIDATION PLAN (CHUKIBO) AND DRASTICALLY SQUEEZE SPENDING FOR FY1998.
5. SWEEPING CONSTRAINT ON ODA OUTLAYS IN FY1998. ABOLISH A MEDIUM-TERM PLAN.
6. STRETCH OUT THE TERM OF URUGUAY ROUND AGRICULTURAL COUNTERMEASURES AND TAKE A SECOND LOOK AT THE CONTENTS OF PROJECTS.
7. VIRTUALLY FREEZE CONSTRUCTION OF NEW SECTIONS OF THE CONSOLIDATED SHINKANSEN (BULLET TRAIN) NETWORKS.

8. NEGATIVE GROWTH FOR GENERAL EXPENDITURES OF LOCAL GOVERNMENTS FOR FISCAL 1998, COMPARED WITH THE YEAR EARLIER.

SENKAKU PROTEST: GOVERNMENT FEELS RELIEVED AT NO BIG TURMOIL (ASAHI - PAGE 2)

THE JAPANESE GOVERNMENT HAD RESOLUTELY ANNOUNCED THAT JAPAN WOULD NOT HESITATE TO TAKE CONCRETE ACTION -- INCLUDING ARRESTS -- AGAINST ANY ATTEMPT TO LAND ON THE SENKAKU ISLANDS (THE DIAOYUTAI ISLANDS IN CHINESE). BUT THERE WAS NOT A SERIOUS CONFRONTATION AND THE JAPANESE SIDE WAS SET AT EASE SOMEWHAT ON THE 26TH, ALTHOUGH THEY DETAINED SOME ACTIVISTS FOR A WHILE. WITH JAPAN AND CHINA TO CELEBRATE THE 25TH ANNIVERSARY OF NORMALIZATION BETWEEN THEM IN SEPTEMBER, THE JAPANESE GOVERNMENT HAD BEEN CONCERNED THAT AN ARREST OR SEIZURE OF BOATS WOULD UNAVOIDABLY HAVE A NEGATIVE IMPACT ON THE BILATERAL RELATIONSHIP. A FOREIGN MINISTRY OFFICIAL REMARKED, "IT IS UNLIKELY THAT PROTEST ACTIVITIES WILL ESCALATE."

LAST OCTOBER, THE GOVERNMENT TOOK NO ACTION TOWARD ACTIVISTS' LANDING ON THE ISLANDS, OUT OF CONSIDERATION FOR JAPAN-CHINA RELATIONS, WHICH WERE BEING ROCKED BY SUCH ISSUES AS (DIFFERING) HISTORICAL PERCEPTIONS AND THE CONSTRUCTION OF A "BEACON" ON ONE OF THE ISLANDS BY A RIGHTIST GROUP. BUT IN MEETINGS OF MINISTRIES AND AGENCIES CONCERNED, OFFICIALS BEGAN TO TAKE THE VIEW SINCE THE BEGINNING OF THIS YEAR THAT "PUBLIC OPINION WILL NOT PERMIT SUCH A FLEXIBLE STANCE, BECAUSE THE ISLANDS ARE JAPANESE TERRITORY."

THE JAPANESE GOVERNMENT INFORMALLY TRANSMITTED JAPAN'S VIEW THAT "(JAPAN'S) TOUGH STANCE IS TO DETER PROTEST ACTIVITIES BEFORE THEY HAPPEN" (AIDE CLOSE TO THE PRIME MINISTER) TO THE CHINESE GOVERNMENT AND TO AUTHORITIES IN HONG KONG AND TAIWAN. THE CHINESE GOVERNMENT AND UNCLAS SECTION 03 OF 06 TOKYO 004556

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 MAY 27

TAIWANESE OFFICIALS HAD BEEN WORKING TO PREVENT THE SITUATION FROM WORSENING, CALLING ON PERSONS CONCERNED TO REFRAIN FROM CONDUCTING PROTEST ACTIVITIES.

GOVERNMENT STUDYING CIVILIAN COOPERATION ON REAR SUPPORT FOR U.S. FORCES (SANKEI - PAGE 2)

PRIOR TO AN INTERIM REPORT ON THE REVIEW OF THE JAPAN-UNITED STATES DEFENSE COOPERATION GUIDELINES TO BE RELEASED IN EARLY JUNE, IT WAS DECIDED AS OF THE 26TH TO INCLUDE ASSISTANCE FROM THE PRIVATE SECTOR REGARDING SUCH MATTERS AS OFFERING AND SERVICING VEHICLES IN THE EVENT OF A CONTINGENCY NEAR JAPAN. THIS DECISION CAME BECAUSE IT WILL NOT BE POSSIBLE FOR THE SELF DEFENSE FORCES (SDF) ALONE TO COVER ALL LOGISTICAL SUPPORT FOR U.S. FORCES. THE GOVERNMENT HAS COMMENCED STUDIES TO CONSIDER RELEVANT LEGISLATION.

INCLUDED IN AN INTERIM REPORT AS CASES IN WHICH TO SEEK THE PRIVATE SECTOR'S ASSISTANCE ARE:

- USING (PRIVATE-SECTOR) VEHICLES TO TRANSPORT U.S. MILITARY GOODS, PERSONNEL AND FUEL;
- REPAIRING AND SERVICING U.S. FORCES' VESSELS, AIRCRAFT, AND VEHICLES;
- EXTENDING OPERATIONAL HOURS OF AIRPORTS AND PORTS/HARBORS.

DURING CONTINGENCIES IN AREAS NEAR JAPAN, SUCH AS THE KOREAN PENINSULA, THE U.S. WILL PRESUMABLY CONCENTRATE ITS REINFORCEMENT TROOPS AND MATERIALS ON JAPAN AND DEPLOY THEM FROM THERE TO THE FRONT-LINE. FOR THIS REASON, PREFERENTIAL USE OF JAPANESE AIRPORTS AND PORTS/HARBORS BY AIRCRAFT AND VESSELS COMING FROM THE U.S. IS INDISPENSABLE, AND IT WAS INCLUDED AS A SPECIAL FEATURE IN THE "ITEMS FOR CONSIDERATION TO COPE WITH A FAR-EAST EMERGENCY," A PROPOSAL MADE IN APRIL OF LAST YEAR BY THE LIBERAL DEMOCRATIC PARTY'S (LDP) SECURITY RESEARCH COMMISSION.

ADDITIONALLY, PRIVATE-SECTOR FIRMS' KNOW-HOW WILL BECOME NECESSARY FOR MASS TRANSPORTATION OF THOSE PERSONNEL AND GOODS INSIDE JAPAN. THE SDF ALONE DOES NOT HAVE ENOUGH PERSONNEL AND MATERIAL TO REPAIR AND SERVICE VESSELS AND AIRCRAFT THAT ARRIVE IN JAPAN. AWARE OF THESE CIRCUMSTANCES, IT WAS DECIDED TO INCLUDE IN AN INTERIM REPORT EXPANDED UTILIZATION OF THE PRIVATE SECTOR. MOREOVER, IN CONNECTION WITH AREAS SUCH AS SECURITY, WHICH IS SPECIFIED AS "SECURITY GUARD (SERVICES) FOR U.S. MILITARY FACILITIES," TEMPORARY HIRING OF EMPLOYEES FOR U.S. MILITARY BASES IS ALSO EXPECTED. DISCUSSION WILL BE NECESSARY TO THRASH OUT HOW TO ENACT A LAW AND HOW TO CONCLUDE A CONTRACT WITH PRIVATE-SECTOR FIRMS IN ORDER TO TRANSPORT U.S. FORCES' GOODS AS A PRACTICAL MATTER, AND ON A PRIORITY BASIS. IN THE WEEKS AHEAD, COORDINATION WILL BE PURSUED AMONG RELEVANT GOVERNMENT MINISTRIES AND AGENCIES INCLUDING THE JAPAN DEFENSE AGENCY (JDA) AND THE MINISTRY OF TRANSPORT (MOT).

HOWEVER, NO PROGRESS HAS YET BEEN SEEN IN ADJUSTING VIEWS

ON HOW TO USE COMMERCIAL AIRPORTS AND PORTS/HARBORS, THOUGH THIS MATTER HAD BEEN UNDER DISCUSSION FROM THE BEGINNING. IF THE SCOPE OF PRIVATE-SECTOR COOPERATION IS FURTHER BROADENED, THE CONCERN IS THAT IT MAY AFFECT DOMESTIC ECONOMIC ACTIVITY. COORDINATION OF VIEWS IS LIKELY TO RUN INTO DIFFICULTY BEFORE THE REVIEW OF THE GUIDELINES IS COMPLETED THIS FALL.

PRIME MINISTER HASHIMOTO, GOVERNOR OTA AGREE TO STUDY OKINAWA PROMOTIONAL PACKAGE (NIHON KEIZAI - PAGE 2)

UNCLAS SECTION 04 OF 06 TOKYO 004556

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 MAY 27

PRIME MINISTER RYUTARO HASHIMOTO MET YESTERDAY EVENING WITH OKINAWAN GOVERNOR MASAHIDE OTA FOR ABOUT 35 MINUTES AT THE PRIME MINISTER'S RESIDENTIAL OFFICE. THEY AGREED TO TACKLE PRACTICAL MEASURES TO DEVELOP OKINAWA. IN RESPONSE TO THE GOVERNOR'S CALL FOR GOVERNMENT COOPERATION ON DEVELOPMENT MEASURES, THE PRIME MINISTER EMPHASIZED, "I CAN ASSURE YOU THAT WE ARE WORKING HARD TO REALIZE SUCH MEASURES."

THE MEETING BETWEEN THE PRIME MINISTER AND THE GOVERNOR IS THE FIRST SINCE THE AMENDMENT TO THE SPECIAL LAND-LEASE LAW FOR U.S. FORCES IN JAPAN. THEY CONTINUED THE TALKS FOR NEARLY FOUR HOURS AT A HOTEL IN TOKYO AND REAFFIRMED THE RELATIONSHIP OF TRUST BETWEEN THEM, WITH GOVERNOR OTA NOTING, "THERE IS NO CHANGE AT ALL IN MY RELATIONSHIP WITH THE PRIME MINISTER" EVEN AFTER THE AMENDMENT TO THE LAW.

DURING THE MEETING, THE GOVERNOR EXPLAINED CURRENT PROGRESS IN DEVELOPMENT MEASURES AND A BASIC PLAN FOR BUILDING AN INTERNATIONAL CITY MAPPED OUT BY THE PREFECTURE. THE PRIME MINISTER, FOR HIS PART, GAVE ACCOUNTS OF PROGRESS IN THE WORK OF RETURNING FUTENMA AIR STATION AND DEVELOPMENT MEASURES THAT VARIOUS GOVERNMENT AGENCIES ARE GRAPPLING WITH. THEY EXCHANGED BROAD-BASED VIEWS ON OKINAWA DEVELOPMENT MEASURES AND THE CONSOLIDATION AND DOWNSIZING OF U.S. MILITARY BASES. THE AMENDMENT TO THE SPECIAL LAND-LEASE LAW AND A REDUCTION OF U.S. MARINES WERE REPORTEDLY NOT BROUGHT UP IN THE DISCUSSION.

IN TANDEM WITH THE TALKS, THE GOVERNMENT AND OKINAWA PREFECTURE HELD IN SUCCESSION A MEETING OF THE FUTENMA AIR STATION REVERSION WORKING COMMITTEE, WHICH IS CHARGED WITH COORDINATING VIEWS REGARDING THE CONSOLIDATION AND DOWNSIZING OF U.S. MILITARY BASES, AND A STAFF MEETING OF THE OKINAWA POLICY ADVISORY PANEL, WHICH IS RESPONSIBLE FOR LOOKING INTO DEVELOPMENT MEASURES.

GOVERNMENT AVOIDS CLEAR STATEMENT ON POSSIBILITY OF FURTHER LIVE-FIRE ARTILLERY TRAINING IN OKINAWA
(ASAHI - PAGE 2)

THE GOVERNMENT AND OKINAWA PREFECTURE ON THE 26TH HELD THE 5TH MEETING OF THEIR JOINT WORKING GROUP ON THE REVERSION OF THE FUTENMA AIRFIELD AND OTHER (U.S. MILITARY) SITES, AT THE PRIME MINISTER'S OFFICIAL RESIDENCE, TO DISCUSS SPECIFIC MEASURES FOR REALIGNING AND REDUCING U.S. MILITARY BASES ON OKINAWA. THE GOVERNMENT SIDE REPORTED PROGRESS ON THE FINAL REPORT ISSUED LAST DECEMBER BY THE JAPAN-U.S. SPECIAL ACTION COMMITTEE (ON FACILITIES AND AREAS IN) OKINAWA (SACO). REGARDING THE PLANNED RELOCATION OF THE U.S. MILITARY'S LIVE-FIRE ARTILLERY TRAINING ACROSS PREFECTURAL ROAD 104 IN OKINAWA TO (GROUND SELF-DEFENSE FORCE FIRING RANGES IN) MAINLAND PREFECTURES, AN OFFICIAL ON THE GOVERNMENT SIDE SIMPLY STATED THAT "JAPAN AND THE U.S. ARE NOW IN THE PROCESS OF WORKING OUT THE DETAILS, INCLUDING A SCHEDULE." THE GOVERNMENT THUS REFRAINED FROM CLEARLY STATING WHETHER OR NOT FURTHER TRAINING IS LIKELY TO BE CONDUCTED IN OKINAWA PREFECTURE.

MINSHUTOQS KAN ADVOCATES COLLECTIVE SECURITY
(YOMIURI - PAGE 5)

NAOTO KAN, CO-LEADER OF THE MINSHUTO (DEMOCRATIC PARTY OF JAPAN), DELIVERED A SPEECH IN A MEETING OF THE ASIAN RESEARCH COUNCIL ON THE 26TH. AT A QUESTIONS-AND-ANSWER SESSION ON JAPAN-UNITED STATES RELATIONS AND SECURITY POLICY, HE STATED: "THROUGH THE U.S., JAPAN AND THE REPUBLIC OF KOREA (ROK) SHARE JOINT MILITARY RELATIONS. BASED ON JAPAN-U.S. SECURITY ARRANGEMENTS, I THINK JAPAN SHOULD PURSUE THE IDEA OF BUILDING AN ASIAN COLLECTIVE
UNCLAS SECTION 05 OF 06 TOKYO 004556

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 MAY 27

SECURITY STRUCTURE TO REINFORCE SUCH SECURITY ARRANGEMENTS." HIS REMARK INDICATED HIS VIEW THAT GIVEN THE POSSIBILITY OF AN EMERGENCY IN THE KOREAN PENINSULA (AS AN EXAMPLE), JAPAN SHOULD CONSIDER BUILDING A COLLECTIVE SECURITY STRUCTURE WITH NEIGHBORING COUNTRIES, CENTERING AROUND JAPAN-U.S. SECURITY ARRANGEMENTS.

JAPAN-ROK FOREIGN MINISTERIAL MEETING: JAPAN TO REMAIN CAUTIOUS ABOUT FOOD AID TO NORTH KOREA FOR TIME BEING (NIHON KEIZAI - PAGE 2)

(PARIS, MAY 26, TAKESHI HARUHARA) FOREIGN MINISTER YUKIHIKO IKEDA, NOW VISITING FRANCE, ON THE MORNING OF THE 26TH (LATE ON THE 26TH, JAPAN TIME) HELD A MEETING WITH SOUTH KOREAN FOREIGN MINISTER YU CHONG HA FOR ABOUT ONE HOUR AT THE HEADQUARTERS OF THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) IN PARIS. IN THE SESSION, FOREIGN MINISTER YU ONCE AGAIN REQUESTED JAPAN'S COOPERATION WITH FOOD ASSISTANCE TO NORTH KOREA, REMARKING, "IT IS DESIRABLE THAT JAPAN, THE U.S., AND SOUTH KOREA ASSIST THAT COUNTRY JOINTLY IF THERE IS NO SERIOUS OBSTACLE." IN TURN, FOREIGN MINISTER IKEDA EXPLAINED SUCH BILATERAL PROBLEMS AS VISITS TO JAPAN BY JAPANESE WIVES LIVING IN NORTH KOREA, AND SAID THAT JAPAN HAD TO TAKE A CAUTIOUS STANCE FOR THE TIME BEING.

BASED ON HIS EARLIER MEETING WITH U.S. SECRETARY OF STATE ALBRIGHT, FOREIGN MINISTER YU POINTED OUT: "THE VIEW THAT NORTH KOREA'S FOOD SHORTAGE IS BECOMING SERIOUS IS PREDOMINANT IN THE U.S." YET HE SUGGESTED DRAWING A DISTINCTIVE LINE BETWEEN EMERGENCY HUMANITARIAN AID AND LARGE-SCALE ASSISTANCE TO DEAL WITH NORTH KOREA'S STRUCTURAL FOOD SHORTAGE. AT THE SAME TIME, FOREIGN MINISTER YU STRESSED THAT THE U.S. AND SOUTH KOREA ARE COUNTING ON JAPAN'S PARTICIPATION THROUGH THE UNITED NATIONS AND OTHER INTERNATIONAL ORGANS, NOTING, "AN OPINION CALLING FOR EXTENDING EMERGENCY ASSISTANCE TO THE NORTH IS GAINING GROUND IN THE U.S. AS WELL."

FOREIGN MINISTER IKEDA REPLIED: "THE GOVERNMENTS OF JAPAN AND NORTH KOREA HAVE BEEN IN CONTACT WITH EACH OTHER AT A LOW LEVEL. JAPAN HAS POSED VARIOUS PROBLEMS TO NORTH KOREA, SUCH AS JAPANESE WIVES IN THE NORTH, SUSPECTED ABDUCTIONS OF JAPANESE NATIONALS BY THE NORTH, AND THE NORTH'S SMUGGLING OF STIMULANT DRUGS INTO JAPAN." FOREIGN MINISTER IKEDA INDICATED THAT UNLESS THERE IS A PATH LEADING TO SETTLEMENT OF THOSE PROBLEMS, IT WOULD BE DIFFICULT FOR JAPAN TO TAKE PART IN THE AID PROGRAM.

IN ADDITION, REGARDING A JAPAN-SOUTH KOREA MEETING ON THE PENDING PROJECT OF JOINT HISTORY STUDIES, THE TWO LEADERS REAFFIRMED THAT THREE EXPERTS HAD BEEN SELECTED FROM EACH SIDE, SUCH AS RYOZO SUNOBE, AN ADVISOR TO THE FOREIGN MINISTRY, AND YU YONG IK, A NATIONAL HISTORY COMMITTEE MEMBER. THE TWO LEADERS ALSO AGREED TO HOLD THE FIRST MEETING AT AN EARLY DATE, AIMED AT SUPPORTING PRIVATE-LEVEL HISTORY STUDIES.

COMMERCE SECRETARY DALEY CONCERNED ABOUT JAPANQS
INCREASING TRADE SURPLUS (NIHON KEIZAI - PAGE 5)

(PARIS, MAY 26, HIROYUKI KOTAKE) FOREIGN MINISTER
YUKIHIKO IKEDA, NOW VISITING PARIS TO ATTEND THE MEETING
OF MINISTERS FROM THE ORGANIZATION FOR ECONOMIC
COOPERATION AND DEVELOPMENT (OECD) MEMBER COUNTRIES, MET
WITH UNITED STATE SECRETARY OF COMMERCE WILLIAM DALEY ON
THE MORNING OF THE 26TH (EVENING OF THAT DAY, JAPAN
TIME). IN THE SESSION, SECRETARY DALEY EXPRESSED
APPREHENSION OVER THE EXPANSION OF JAPAN'S TRADE SURPLUS
WITH THE U.S., NOTING THAT "IT IS A FACT THAT THE U.S. IS
NERVOUS ABOUT JAPAN'S TRADE SURPLUS AND THE STATUS OF
INCREASES IN ITS DOMESTIC DEMAND." IN REPLAY, FOREIGN
MINISTER IKEDA TOLD HIM THAT "IN VIEW OF THE YEN'S RECENT
UNCLAS SECTION 06 OF 06 TOKYO 004556

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 MAY 27

APPRECIATION, I DON'T THINK THE TENDENCY (OF AN EXPANDING
TRADE SURPLUS) LIKE MARCH AND APRIL WILL CONTINUE."
CRANE

SECT: SECTION: 01 OF 06

<^SECT>SECTION: 02 OF 06

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SSN: 4556

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SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JUNE 4

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 08 TOKYO 004819

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; CIA
WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN;
TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU
CHEMTOB IN ANTTRUST 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 JUNE 4

TOP HEADLINES:

ASAHI: BUDGETARY EXPENDITURES TO BE REDUCED FOR THREE
YEARS IN A ROW; GOVERNMENT/RULING PARTIES' "FISCAL AND
STRUCTURAL REFORM POLICY" UNVEILED; 200 BILLION YEN WILL
BE SLICED NEXT FISCAL YEAR; WITH A SWITCH FROM UNIFORM
CONSTRAINT

NIHON KEIZAI: 200 BILLION YEN TO BE CUT IN BUDGETARY EXPENDITURES IN FISCAL 1998; FISCAL CONSTRAINT FOR STRUCTURAL REFORM; BUDGET REDUCTION POLICY APPROVED AT CABINET MEETING; 920 BILLION YEN TRIMMED FROM MID-TERM DEFENSE PROGRAM; 7 PERCENT CUT IN PUBLIC WORKS; LESS THAN 2 PERCENT GROWTH IN SOCIAL WELFARE OUTLAYS (TRANSLATION BELOW)

TOKYO SHIMBUN: NUMERICAL TARGETS FOR FISCAL REFORM APPROVED BY CABINET MEETING; GENERAL BUDGET TO BE REDUCED BY 0.5 PERCENT; 7 PERCENT CUT IN PUBLIC WORKS; 10 PERCENT CUT IN ODA; 920 BILLION YEN REDUCTION OF MID-TERM DEFENSE PROGRAM

MAINICHI: FISCAL 1998 BUDGET CERTAIN TO SEE NEGATIVE GROWTH; TO AX 920 BILLION YEN FROM MID-TERM DEFENSE PROGRAM AS FISCAL AND STRUCTURAL REFORM PANEL UNVEILS FINAL REPORT

YOMIURI: TO CURTAIL BUDGETARY EXPENDITURES BY 200 BILLION YEN; SECTOR-BY-SECTOR TARGETS SET FOR FISCAL REFORM; NEGATIVE GROWTH FOR NEXT FISCAL YEAR FOR FIRST TIME IN 11 YEARS; MID-TERM DEFENSE PROGRAM TO BE CONSTRAINED BY 920 BILLION YEN

SANKEI: NEXT FISCAL YEAR'S BUDGETARY EXPENDITURES WILL BE REDUCED BY 200 BILLION YEN; FISCAL STRUCTURAL REFORM PANEL'S FINAL REPORT APPROVED; 7 PERCENT CUT IN PUBLIC WORKS; 920 BILLION YEN REDUCTION IN MID-TERM DEFENSE PROGRAM

FISCAL REFORM TO SHAVE 200 BILLION YEN OFF 1998 BUDGET, CUT DEFENSE PLAN BY 920 BILLION YEN
(NIHON KEIZAI - TOP PLAY)

THE GOVERNMENT-RULING CAMP'S CONFERENCE ON FISCAL AND STRUCTURAL REFORM (CHAIRLED BY PRIME MINISTER RYUTARO HASHIMOTO) YESTERDAY FINALIZED A SET OF SPENDING-CUTS MEASURES THAT INCLUDE NUMERICAL TARGETS IN EACH SPECIFIC AREA. THE GOVERNMENT FORMALLY DECIDED THAT WITH THE PANEL'S FINAL REPORT AS THE GOVERNMENT'S POLICY, THE FIGURES IN THE REPORT WOULD BE USED AS THE CEILING FOR BUDGET REQUESTS IN THE NEXT EXTRAORDINARY DIET SESSION. THE REPORT PROPOSES THAT THE GENERAL EXPENDITURES IN THE INITIAL BUDGET FOR FISCAL 1998 BE SLASHED BY APPROXIMATELY 200 BILLION YEN (ABOUT 0.5 PERCENT) FROM THIS FISCAL YEAR'S LEVEL. IT ALSO INCLUDES SPENDING-CUTS MEASURES IN DEFENSE, PUBLIC WORKS AND MANY OTHER AREAS. THE GOVERNMENT WILL OUTLINE A FISCAL REFORM BILL (TENTATIVE NAME) IN THE CURRENT DIET SESSION AND SUBMIT IT TO THE EXTRAORDINARY DIET SESSION IN THE FALL. THESE ARE SPECIFIC MEASURES FOR FISCAL STRUCTURAL REFORM AS THE FIRST PACKAGE OF THE SIX MAJOR REFORMS SET FORTH BY THE PRIME MINISTER.

COMMENTS BY PARTY LEADERS AND RENO ON THE FISCAL REFORM PACKAGE (ASAHI - PAGE 7)

IN REACTION TO THE FISCAL REFORM PROMOTION POLICY
COMPILED YESTERDAY BY THE GOVERNMENT AND RULING PARTIES,
THE OPPOSITION PARTIES ISSUED THE FOLLOWING COMMENTS:

SHINSHINTO (NEW FRONTIER PARTY) IT STILL HAS NOT GONE
BEYOND THE FORM OF FRONT-LOADING CEILINGS FOR COMPILATION
OF NEXT FISCAL YEAR'S BUDGET. IF "STRUCTURAL REFORM" IS
UNCLAS SECTION 02 OF 08 TOKYO 004819

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; CIA
WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN;
TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU
CHEMTOB IN ANT-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 JUNE 4

TO BE TARGETED AT ALL, THE APPROACH NEEDED IS TO GRAPPLE
WITH THE STRUCTURE OF THE SYSTEM ITSELF. WE SHOULD
IMMEDIATELY LAUNCH IN PARTICULAR AN ABOLISHMENT OF ALL
SUBSIDIES, SHIFTING THEM TO A PACKAGE GRANT, AND A
DRASTIC RESTUDYING OF LONG-TERM PUBLIC WORKS PROGRAM.
(POLICY DELIBERATION COUNCIL CHAIRMAN TAKESHI NODA).

MINSHUTO (DEMOCRATIC PARTY OF JAPAN) THE CONTENTS FLIES
AGAINST THE PRINCIPLE OF REFORMING THE FISCAL STRUCTURE,
FOR IT DOES NOT GO INTO A REVIEW OF DETAILS OF PARTICULAR
PROJECTS. NUMERICAL TARGETS ARE NOTHING MORE THAN
DEVICES FOR MAKING THE POLICY PLAUSIBLE. SETTING GOALS
FOR PARTICULAR POLICY LINES IN A WAY INDICATES CERTAIN
PROGRESS, BUT IT IS FAR FROM CORRECTING THE FISCAL
CRISIS. SEEKING THE TAXPAYERS' BURDEN WITHOUT
RECONSIDERING PUBLIC WORKS PROJECTS, SUCH AS THE
RECLAIMING OF ISAHAYA BAY, IS NOT IN THE PROPER ORDER OF
THINGS. (POLICY RESEARCH AFFAIRS COUNCIL CHAIRMAN
YOSHITO SENGOKU).

JAPAN COMMUNIST PARTY WHILE A LARGE-SCALE REDUCTION IN
PEOPLE'S LIVELIHOOD-RELATED BUDGETS HAS BEEN WORKED OUT,
NO ACTION HAS BEEN TAKEN REGARDING THE EXTRAVAGANT
STRUCTURE, A MAJOR CAUSE THAT HAS THROWN OUR COUNTRY'S
FINANCES INTO THE MOST SERIOUS CRISIS AMONG THE MAJOR
INDUSTRIALIZED COUNTRIES. "MEASURES TO AX" PUBLIC WORKS
OUTLAYS AND MILITARY SPENDING ARE A MERE POSE. THE
UNVEILED POLICY IS THE "WORST PLAN EVER TO SACRIFICE ALL
THE PEOPLE" AND WILL ONLY CONTRIBUTE TO A LOSS OF
NATIONAL VITALITY.
(DIRECTOR OF PARTY SECRETARIAT KAZUO SHII).

TAIYO PARTY CONTRARY TO PRIME MINISTER HASHIMOTO'S CALL
FOR "MAKING THIS YEAR THE FIRST YEAR OF STRUCTURAL
REFORM," PROBLEMS HAVE BEEN PUT ON HOLD AND REFORM

MEASURES HAVE REMAINED CHEAP TRICKS ALL ALONG. WE WANT THE GOVERNMENT TO PROMPTLY SHOW THE PEOPLE A DIRECTION FOR DRASTIC STRUCTURAL REFORM AND GRAPPLE WITH REFORM. (SECRETARY GENERAL EIJIRO HATA).

RENGO SLAMS: "NO REFORM IN TRUE SENSE OF WORD"

SPEAKING OF THE FINAL REPORT RELEASED BY THE FISCAL STRUCTURAL REFORM COUNCIL UNDER THE GOVERNMENT AND THE RULING PARTIES, THE JAPANESE TRADE UNION CONFEDERATION (RENGO; CHAIRED BY JINNOSUKE ASHIDA) ISSUED A STATEMENT WITH SCATHING REMARKS: "ONLY QUANTITATIVE REDUCTIONS IN THE FISCAL DEFICIT HAVE BEEN HIGHLIGHTED; NO QUALITATIVE MEASURES FOR STRUCTURAL REFORM ARE SHOWN." POINTING OUT THE INSUFFICIENT CUTS IN PUBLIC INVESTMENT PROGRAMS AND THE PACKAGE OF URUGUAY ROUND MEASURES, RENGO CRITICIZED CONSTRAINT ON SOCIAL WELFARE OUTLAYS AS "PUTTING THE CART BEFORE THE HORSE," AND SOUGHT A REVIEW OF THE OVERALL BUDGETARY STRUCTURE INCLUDING THE SPECIAL BUDGET ACCOUNT AND THE FISCAL LOAN AND INVESTMENT PROGRAM.

EPA ESTIMATES PUBLIC WORKS CUTS COULD LOWER ECONOMIC GROWTH BY 0.6 PERCENT (NIHONKEIZAI - PAGE 3)

ECONOMIC PLANNING AGENCY (EPA) DIRECTOR GENERAL TARO ASO YESTERDAY REVEALED AN EPA ESTIMATION THAT CONCLUDED THAT THE TRIMMED PUBLIC WORKS OUTLAYS IN THE FISCAL STRUCTURAL REFORM CONFERENCE'S FINAL REPORT WOULD CONSTRAIN THE NATION'S ECONOMIC GROWTH FOR FY1998 BY 0.6 PERCENT IN REAL TERMS BELOW THE PREVIOUS YEAR'S GROWTH LEVEL. DIRECTOR GENERAL ASO NOTED, "IT IS CERTAIN THAT THE REDUCED GOVERNMENT EXPENDITURE WILL THWART JAPAN'S ECONOMY OVER THE SHORT RUN." HIS COMMENT SUGGESTED THAT JAPAN NEEDS TO MAKE EXTRA EFFORT TO STABILIZE ITS GROWTH BY MEANS OF CARRYING OUT DEREGULATION-CENTERED ECONOMIC STRUCTURAL REFORM.

ACCORDING TO THE EPA'S ESTIMATION, IF NATIONAL AND LOCAL UNCLAS SECTION 03 OF 08 TOKYO 004819

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; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-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 JUNE 4

PUBLIC WORKS OUTLAYS ARE REDUCED BY 7 PERCENT, "FORMATION OF FIXED CAPITAL OF THE PUBLIC INSTITUTIONS," A TERM INDICATING THE LEVEL OF PUBLIC INVESTMENT IN NATIONAL INCOME STATISTICS, WILL DROP BY ABOUT 3 TRILLION YEN.

THIS CORRESPONDS TO 0.6 PERCENT OF JAPAN'S GDP THAT TOTALS 500 TRILLION YEN. SIMPLY PUT, THAT IS THE LEVEL BY WHICH JAPAN'S GROWTH WILL BE LOWERED.

IN ADDITION, REGARDING THE PUBLIC INVESTMENT BASIC PLAN THAT TOTALS 630 TRILLION YEN (FY1995 - FY2004), DIRECTOR GENERAL ASO ALSO REVEALED HIS PLAN TO PRESENT A REVISION TO THE GENERAL MEETING OF THE ECONOMIC COUNCIL (AN ADVISORY PANEL TO THE PRIME MINISTER) ON THE 17TH AND THEN OBTAIN CABINET APPROVAL ON THE REVISED PLAN LATER THIS MONTH.

FISCAL REFORM PACKAGE BEHIND HIM, PRIME MINISTER TO FOCUS NOW ON GETTING REELECTED (ASAHI - PAGE 2)

THE FACT THAT THE CONFERENCE ON FISCAL AND STRUCTURAL REFORM CHAIRED BY PRIME MINISTER RYUTARO HASHIMOTO COMPILED ITS FINAL REPORT ON THE 3RD HAS HELPED THE PRIME MINISTER SOLIDIFY HIS FOOTING TOWARD HIS REELECTION AS PRESIDENT OF THE LIBERAL DEMOCRATIC PARTY (LDP), WHICH WILL BE HELD AFTER HIS PRESENT TERM OF OFFICE EXPIRES AT THE END OF SEPTEMBER. HE HAS ALSO SUCCEEDED IN PERSUADING THE SOCIAL DEMOCRATIC PARTY (SDP) AND THE SAKIGAKE PARTY TO TAKE PART IN THE WORK OF DRAFTING THE FINAL REPORT AND KEEPING THEM IN THE PRESENT COALITION ARRANGEMENT. HIS NEXT PLAN IS TO ANNOUNCE IN AUGUST AN OUTLINE FOR STREAMLINING GOVERNMENT AGENCIES, MAKE PUBLIC PLEDGES ON HIS PRIORITY POLITICAL ISSUES FOR THE FALL AND BEYOND, AND FACE THE LDP PRESIDENTIAL RACE.

"PRIME MINISTER HAS NOW TAKEN A STEP FORWARD TOWARD HIS REELECTION," AN LDP EXECUTIVE NOTED IN EVALUATING THE FINAL REPORT. A REVIEW OF THE JAPAN-U.S. DEFENSE COOPERATION GUIDELINES AND REVAMPING GOVERNMENT AGENCIES ARE STILL LINED UP. YET, THE LDP EXECUTIVE'S COMMENT SUGGESTED THAT SUCH WOULD NOT AFFECT THE PRESIDENTIAL RACE GREATLY IN SEPTEMBER SINCE THEY WOULD BE STILL HALF-COMPLETED.

THE PRIME MINISTER IS EAGER TO SUSTAIN HIS ADMINISTRATION BY IMPLEMENTING HIS SIX-REFORM PROGRAM. FISCAL STRUCTURAL REFORM IS THE FIRST STEP. EARLIER, SOME LDP MEMBERS WONDERED IF THE PRIME MINISTER WOULD BE ABLE TO CONSTRAIN POLICY CLIQUES IN THE DIET (ACCORDING TO A FORMER CABINET MINISTER). THE PRIME MINISTER IN MARCH BEGUN REQUESTING VARIOUS LDP DEPARTMENTS FOR THEIR COOPERATION AND FINALLY OBTAINED THEIR UNDERSTANDING, AT LEAST FOR THE MERE FORMALITY. HOW FAR THE PRIME MINISTER'S WILL WAS REFLECTED IN THE FINAL REPORT IS QUESTIONABLE. NEVERTHELESS, SINCE THE WORK COMPLETED SMOOTHLY THANKS TO THE COOPERATION OF VARIOUS MEMBERS IN THE LDP, THE PRIME MINISTER MAY NOT HAVE TO WORRY ABOUT CONFRONTING A SERIOUS INTERNAL OBSTACLE IN COMPILING A FISCAL STRUCTURAL REFORM BILL (TENTATIVE NAME) OR A FY1998 BUDGET DRAFT.

COMPILING THE FINAL REFORM WAS PARTICULARLY IMPORTANT FOR THE PRIME MINISTER IN THE SENSE OF SOLIDIFYING THE

PRESENT LDP-SDP-SAKIGAKE ARRANGEMENT. A FISSURE MAY DEEPEN WITHIN THE RULING CAMP OVER SUCH POSTPONED ISSUES AS THE WAGE OF PUBLIC SERVANTS AND THE DRASTIC REFORM OF THE PENSION SYSTEM. NEVERTHELESS, THE PRIME MINISTER HAS NOW SUCCESSFULLY AVERTED DRIVING HIS ADMINISTRATION INTO A STANDSTILL.

THE PRIME MINISTER IS NOW EXPECTED TO TURN HIS EYES TO DETERMINING A NEW LINEUP OF LDP EXECUTIVES IN CONNECTION WITH HIS REELECTION. WITH BOTH SECRETARY GENERAL KOICHI KATO AND EXECUTIVE COUNCIL CHAIRMAN YOSHIRO MORI HAVING UNCLAS SECTION 04 OF 08 TOKYO 004819

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; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-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 JUNE 4

ANNOUNCED THEIR SUPPORT FOR "PRESIDENT HASHIMOTO FOR HIS SECOND TERM," THERE IS NO STRONG CONTENDER IN SIGHT AT THE MOMENT. THE FOCUS OF ATTENTION OF THE PARTY IS NOW ON WHO WILL FILL THE THREE TOP LDP POSTS, INCLUDING THE SECRETARY GENERAL'S POST.

IN THE MEANTIME, THE MOVE TO JOIN HANDS WITH THE SHINSHINTO (NEW FRONTIER PARTY) TO FORM A "CONSERVATIVE-CONSERVATIVE ALLIANCE (HO-HO RENGO) IS PICKING SPEED. THE SHINSHINTO HAS RAPPED THE FINAL REPORT, CALLING IT "A CHEAP TRICK THAT HAS NOTHING TO DO WITH STRUCTURAL REFORM." THE SHINSHINTO ALSO POINTED OUT THE LIMITATIONS OF THE PRESET COALITION ARRANGEMENT. AS FOR THE LDP, SUCH MEMBERS AS CONSTRUCTION MINISTER SHIZUKA KAMEI AND FORMER PRIME MINISTER YASUHIRO NAKASONE ARE CALLING FOR JOINING HANDS WITH THE SHINSHINTO IN CARRYING OUT FISCAL REFORM. NAKASONE ON THE 3RD NOTED, "THE SDP IS CLINGING TO THE (HASHIMOTO ADMINISTRATION) IN HANDLING ADMINISTRATIVE AND FISCAL REFORMS." IF THE PRIME MINISTER MAKES A MISTAKE IN HANDLING THE COALITION ARRANGEMENT AND THE CONSERVATIVE-CONSERVATIVE ALLIANCE MOVES, HE MAY BE DRIVEN INTO AN UNEXPECTEDLY TIGHT CORNER.

SOURCING OF DEFENSE OUTLAYS FOR REMOVAL OF BASES FROM OKINAWA LEFT VAGUE (NIHON KEIZAI - PAGE 2)

THE FISCAL RESTRUCTURING PANEL (OF THE GOVERNMENT AND RULING PARTIES) HAS NOW POSTPONED ITS CONCLUSION ON THE ISSUE OF HOW TO HANDLE EXPENDITURES FOR RELOCATING U.S. MILITARY BASES ON OKINAWA (OR EXPENSES RELATED TO THE

SPECIAL ACTION COMMITTEE ON FACILITIES AND AREAS IN OKINAWA (SACO)). THE PANEL'S REPORT REMAINS EQUIVOCAL ON THE QUESTION OF WHETHER IT IS TO BE SEPARATED OFF FROM DEFENSE SPENDING OR WHETHER IT IS TO BE WITHIN THE SCOPE OF A MID-TERM DEFENSE PROGRAM (CHUKIBO). IN PARTICULAR, HOW SUCH OUTLAYS ARE TO BE RELATED TO THE CHUKIBO PROGRAM IS A SOURCE OF CONTROVERSIES INVOLVING THE CEILING OF DEFENSE SPENDING.

THE PANEL'S REPORT, IN ITS "DEFENSE" ITEM, CLEARLY MENTIONS ITS RECOMMENDATIONS: (1) (EXPENDITURES FOR) THE CHUKIBO PROGRAM SHOULD BE CUT BY APPROXIMATELY 920 BILLION YEN; AND (2) DEFENSE SPENDING FOR FY1998-2000 SHOULD BE SET AT THE SAME LEVEL AS THE PRECEDING FISCAL YEAR'S AMOUNT OR LOWER THAN THAT AMOUNT. IN THE CATEGORY OF "OTHER MATTERS," THE REPORT SUGGESTS THAT THE GOVERNMENT "IMPLEMENT SACO-RELATED PROJECTS IN A STEADY WAY." THE LIBERAL DEMOCRATIC PARTY'S POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN TAKU YAMASAKI, WHO HAD WORKED ON THE PANEL TO WRITE ITS REPORT WITH OKINAWA-RELATED OUTLAYS SEPARATED OFF FROM "DEFENSE" SPENDING, STRESSED HIS VIEW TO PRESS REPORTERS ON THE 3RD: "THAT IS SEPARATE FROM DEFENSE SPENDING AS WRITTEN IN THE REPORT."

JAPAN DEFENSE AGENCY DIRECTOR GENERAL FUMIO KYUMA AT A PRESS CONFERENCE WELCOMED THE PANEL REPORT'S DESCRIPTION THAT COULD EVEN APPEAR TO RECOMMEND SETTING UP A SEPARATE FRAMEWORK FOR SACO-RELATED DISBURSEMENTS. BUT KYUMA INDICATED HIS VIEW THAT JDA "IS GOING TO MAKE BUDGETARY STUDIES FROM NOW ON." EXPENSES FOR BASE RELOCATION ARE PART OF DEFENSE SPENDING AS LONG AS SUCH ARE EARMARKED IN THE DEFENSE FACILITIES ADMINISTRATION AGENCY'S BUDGET. THE QUESTION OF HOW TO HANDLE SUCH DISBURSEMENTS WAS A POINT AT ISSUE ALSO IN THE PROCESS OF COMPILING THE FY1997 BUDGET. HOWEVER, THE GOVERNMENT'S ACCOUNT WAS ALSO AMORPHOUS: "DEFENSE SPENDING, EXCLUSIVE OF OKINAWA EXPENSES, MARKS AN INCREASE OF 2.1 PERCENT. IF INCLUDED, IT ATTAINS AN INCREASE OF 2.1 PERCENT."

ADMITTING YAMASAKI'S ASSERTION, ONE'S SAYING THAT "DEFENSE SPENDING IS TO BE SET AT THE SAME LEVEL AS THE PRECEDING FISCAL YEAR'S AMOUNT OR LOWER THAN THAT AMOUNT" UNCLAS SECTION 05 OF 08 TOKYO 004819

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; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-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 JUNE 4

SOUNDS LIKE A COURSE OF ACTION THAT WILL NOT INCLUDE OKINAWA-RELATED EXPENDITURES. SO AS TO OBTAIN THE SOCIAL DEMOCRATIC PARTY'S UNDERSTANDING, YAMASAKI HAS THEREFORE UNDERSCORED TO THE SDP THAT "DEFENSE SPENDING IS GOING TO BE HELD DOWN." ON THE OTHER HAND, HE CAN SAVE HIS FACE WITHIN THE LDP BY SAYING THAT: "OKINAWA-RELATED EXPENSES ARE GOING TO BE HANDLED IN A SEPARATE FRAMEWORK. IF INCLUDED, DEFENSE SPENDING WILL MARK AN INCREASE."

HOWEVER, THE CHUKIBO PROGRAM CANNOT GO THAT WAY BECAUSE THE GOVERNMENT HAS SET A CEILING AMOUNT OF DEFENSE SPENDING FOR A PERIOD OF FIVE YEARS AS A BRAKE TO PREVENT DEFENSE SPENDING FROM SWELLING. AS LONG AS BUDGETARY OUTLAYS FOR OKINAWA ARE EARMARKED IN THE DFAA BUDGET, SUCH EXPENSES -- IF SEPARATED OFF FROM THE CHUKIBO PROGRAM'S FRAMEWORK -- WILL EVENTUALLY CAUSE ITS TOTAL AMOUNT SHOWING FORMULA TO LOSE ITS MEANING AS A BRAKE.

THIS IS AN OFFENSIVE AND DEFENSIVE BATTLE EYEING THE NEXT MID-TERM DEFENSE PROGRAM (JIKIBO), UNDER WHICH THE PLANNED REVERSION OF THE FUTENMA AIRFIELD WILL BE CARRIED OUT AND A HUGE AMOUNT OF EXPENSES FOR ITS RELOCATION WILL PRESUMABLY BE NECESSARY. THE MINISTRY OF FINANCE IS TRYING TO HOOP THE OKINAWA EXPENDITURES BY HOLDING DOWN SUCH EXPENSES WITHIN THE CHUKIBO PROGRAM'S FRAMEWORK. BUT JDA IS AIMING TO SECURE A SEPARATE FRAMEWORK SINCE IT DOES NOT WANT TO HAVE ITS PURCHASE OF OTHER EQUIPMENT ITEMS AFFECTED BY SUCH. THE AMORPHOUS REPORT IS A CONSEQUENCE OF FAILING TO REACHING A SETTLEMENT.

U.S., JAPAN TO START INFORMAL TALKS AFTER GUIDELINES REVIEW INTERIM REPORT READIED ON THE 8TH
(MAINICHI - PAGE 2)

THE JAPANESE AND U.S. GOVERNMENTS HELD A SESSION OF INFORMAL CONSULTATIONS AT THE DEPUTY DIRECTOR GENERAL LEVEL AT THE MINISTRY OF FOREIGN AFFAIRS ON THE 3RD FOR THEIR WORK OF FORMULATING AN INTERIM REPORT REGARDING A REVIEW OF GUIDELINES FOR BILATERAL DEFENSE COOPERATION BETWEEN JAPAN AND THE U.S., AND THE TWO GOVERNMENTS' OFFICIALS MADE FINISHING TOUCHES ON A DOCUMENT OF AGREEMENT.

THE MEETING WAS ATTENDED BY MOFA'S NORTH AMERICAN AFFAIRS BUREAU DEPUTY DIRECTOR GENERAL HITOSHI TANAKA AND THE JAPAN DEFENSE AGENCY'S COUNCILLOR KYOJI YANAGISAWA. ON THE U.S. SIDE WERE DEPUTY ASSISTANT SECRETARY OF DEFENSE CAMPBELL AND CHARGE D'AFFAIRES DEMING. IN THAT SESSION THE TWO COUNTRIES' REPRESENTATIVE OFFICIALS FURTHER WORKED OUT DETAILS ABOUT WORDING FOR THE INTERIM REPORT, AND THEN CONFIRMED THAT THE TWO GOVERNMENTS WOULD REACH A FINAL AGREEMENT AT A MEETING OF THEIR BUREAU DIRECTOR GENERAL LEVEL SUBCOMMITTEE FOR DEFENSE COOPERATION (SDC) TO BE HELD IN HAWAII ON THE 7TH, AT 9:00 A.M. (ON THE 8TH, AT 4:00 A.M., JAPAN TIME).

IN THE ONGOING WORK OF DRAWING UP THE INTERIM REPORT, THE FOCUS IS ON THE SELF-DEFENSE FORCES' (REAR) SUPPORT FOR

THE U.S. (FORCES) IN SITUATIONS THAT MAY EMERGE IN AREAS SURROUNDING JAPAN. MEANWHILE, THE GOVERNMENT HAS NOW DECIDED TO SPECIFY SUCH ACTIVITIES AS SWEEPING MINES AT SEA, SUPPLYING MATERIEL AND FUEL, INSPECTING SUSPICIOUS SHIPS, TRANSPORTING JAPANESE NATIONALS ABROAD AND OTHER NONCOMBAT PERSONNEL FOR THEIR EVACUATION, AND MAKING TEMPORARY USE OF CIVILIAN AIRPORTS AND SEAPORTS.

ON THE OTHER HAND, THE LOWER HOUSE SECURITY AFFAIRS COMMITTEE (CHAIRLED BY EISEI ITO) HELD A MEETING OF ITS DIRECTORS ON THE 3RD AND DECIDED TO HEAR MOFA AND JDA REPORTS ON THE AFTERNOON OF THE 9TH. THE COMMITTEE WILL HOLD A SESSION OF DELIBERATIONS ON THE 10TH AND 12TH.

FOOD AID TO NORTH KOREA: ROSY VIEW AMONG OTHER COUNTRIES;
UNCLAS SECTION 06 OF 08 TOKYO 004819

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; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-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 JUNE 4

JAPAN TAKING NOTICE (YOMIURI - PAGE 4)

ALTHOUGH THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA) IS REPORTEDLY EXPERIENCING A SERIOUS FOOD SHORTAGE, RECENTLY, HIGH-LEVEL OFFICIALS OF THE REPUBLIC OF KOREA (ROK) AND THE UNITED STATES HAVE REVISED THEIR PREVIOUS CRISIS ASSESSMENTS. FOLLOWING THEM, A HIGH-RANKING OFFICIAL OF THE CHINESE GOVERNMENT OFFERED A SIMILAR VIEW. OPTIMISM IS NOW SPREADING. IN RESPONSE TO THESE CIRCUMSTANCES, THE INTERNATIONAL COMMUNITY HAS SOFTENED ITS PRESSURE ON JAPAN TO PROVIDE EMERGENCY AID. BUT STRUCTURAL FOOD SHORTAGES HAVE NOT YET BEEN SETTLED, SO THE GOVERNMENT INTENDS TO CONTINUE TO EXERT ITSELF TO BRING OUT SPECIFIC IDEAS FROM THE NORTH KOREAN SIDE WITH FOOD ASSISTANCE AS A NEGOTIATING CARD IN DEALING WITH SUCH PROBLEMS AS "BRIEF VISITS TO JAPAN BY JAPANESE WIVES LIVING IN THE NORTH."

ON THE FOOD SITUATION IN THE NORTH, DEPUTY ASSISTANT SECRETARY OF STATE CHARLES KARTMAN, RESPONSIBLE FOR KOREAN PENINSULA POLICY, STATED ON MAY 29: "WE MIGHT HAVE OVERESTIMATED THE EXTENT OF THE FOOD SHORTAGE." FOLLOWING HIM, RANKING OFFICIALS OF COUNTRIES CONCERNED OPENLY EXPRESSED OPTIMISM ABOUT A SHORT-TERM FOOD SHORTAGE: "CONSIDERING AID EXTENDED BY THE INTERNATIONAL COMMUNITY, THAT COUNTRY CAN SURVIVE UP TO THE HARVEST PERIOD IN AUGUST" (SAID ROK NATIONAL UNIFICATION MINISTER

KWON O KI ON MAY 30); AND "ALTHOUGH THE FOOD SITUATION IS PRESSING, IT IS NOT SO SERIOUS AS WESTERN COUNTRIES STATE" (SAID CHINESE FOREIGN MINISTRY SPOKESMAN CHEN GUFANG ON JUNE 2).

THESE REMARKS MADE BY HIGH-LEVEL AMERICAN, ROK AND CHINESE OFFICIALS HAVE GIVEN SUPPORT TO AN OPTIMISTIC VIEW THAT WAS HEARD ALSO IN THE JAPANESE GOVERNMENT, ABATING A SENSE OF URGENCY FOR PROVIDING AID, FOR EXAMPLE, "JAPAN'S RESPONSIBILITY IS TO HELP STARVING NORTH KOREA" (LIBERAL DEMOCRATIC PARTY (LDP) DEPUTY SECRETARY GENERAL HIROMU NONAKA), WHO VOICED FROM A HUMANITARIAN POINT OF VIEW, AND "WE MUST AVOID A SUDDEN COLLAPSING OF THE NORTH KOREAN POLITICAL SYSTEM" (LDP UPPER-HOUSE MEMBER), WHO VOICED FROM A STANDPOINT OF SECURITY.

ADDITIONALLY, ANOTHER ASPECT IS THAT SINCE A REQUEST FOR ABOUT 200,000 TONS IN EMERGENCY FOOD AID MADE BY THE WORLD FOOD PROGRAM (WFP) HAS BEEN MET BY THE U.S., THE ROK, THE EUROPEAN UNION (EU) AND OTHER COUNTRIES, "JAPAN NO LONGER HAS TO QUICKLY GIVE (FOOD) AID" (SAME).

THE LDP'S FOREIGN AFFAIRS RESEARCH COMMISSION'S ASIA-PACIFIC SUBCOMMITTEE MET ON JUNE 3 FOR DISCUSSION WITH NORTH KOREA AS A SUBJECT, BUT OPINIONS THAT CAME OUT THERE WERE ALL SEVERE TOWARD THAT COUNTRY, AND "WE ARE UNABLE TO TOUCH ON EVEN SOMETHING RELATED TO FOOD AID" (PARTICIPATING LAWMAKER).

STILL NO APPOINTMENT OF U.S. AMBASSADOR TO JAPAN
(NIHON KEIZAI - PAGE 2)

WHITE HOUSE PRESS SPOKESMAN MCCURRY, COMMENTING IN A PRESS BRIEFING ON THE 2ND ON THE LIKELIHOOD OF FORMER SPEAKER OF THE HOUSE FOLEY BEING APPOINTED AMBASSADOR TO JAPAN, STATED: "MR. FOLEY IS A FINE PERSON, BUT I AM NOT READY TO SAY THAT THERE WILL BE AN ANNOUNCEMENT SOON."

ON THE QUESTION OF FOLEY'S APPOINTMENT AS AMBASSADOR, THERE HAS BEEN DEEP-ROOTED RESISTANCE AMONG AMERICAN BUSINESS CIRCLES AND OTHERS FOR "HIS BEING TOO CLOSE TO JAPAN." BUT THE FACT IS THAT NO OTHER NAME HAS BEEN RAISED AS AN AMBASSADORIAL CANDIDATE.

MCCURRY WAS RESPONDING TO THE QUESTION AS TO WHETHER
UNCLAS SECTION 07 OF 08 TOKYO 004819

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; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-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 JUNE 4

PRESIDENT CLINTON AT NEXT WEEK'S PRESS CONFERENCE WOULD ANNOUNCE THE NAME OF THE AMBASSADOR TO JAPAN, THE CONVENTIONAL WISDOM MORE OR LESS BEING THAT FOLEY'S NAME WOULD COME OUT AS THE "AMBASSADOR TO JAPAN."

WHAT TRIGGERED THE PRESS SPOKESMAN'S STATEMENT WAS A REPORT IN THE WASHINGTON POST THAT MORNING. THE POST REPORTED THAT PRESIDENTIAL ASSISTANT BERGER (NATIONAL SECURITY ADVISOR) HAD TELEPHONED FOLEY A FEW WEEKS BEFORE TO SOUND HIM OUT FOR THE AMBASSADOR TO JAPAN POST.

HOWEVER, THE SUGGESTION IS THAT THE ANNOUNCEMENT HAS BEEN DELAYED BECAUSE OF THE FIERCE RESISTANCE TO IT FROM BUSINESS CIRCLES. IT HAS BEEN STRESSED THAT THE TELEPHONE CALL TO FOLEY WAS NOT FROM THE PRESIDENT HIMSELF. MOREOVER, THE RUMOR IS: "THE JAPANESE, WHO THINK OF THEMSELVES AS THE U.S.' MOST IMPORTANT ALLY IN THE FAR EAST, ARE BEING SLIGHTED BY THE DELAY IN NAMING (THE AMBASSADOR)."

JAPAN ASKING IWC FOR RENEWED WHALING SEASON
(ASAHI - PAGE 2)

AT A CONFERENCE OF SIGNATORY COUNTRIES TO THE WASHINGTON TREATY (WHICH BANS INTERNATIONAL TRADE OF ENDANGERED SPECIES OF WILD ANIMALS AND PLANTS), WHICH WILL BE CONVENED IN ZIMBABWE ON THE 9TH, THE JAPANESE GOVERNMENT WILL PROPOSE AN EASING OF THE BAN ON COMMERCIAL TRADE OF SUCH WHALES AS MINKE WHALES. IT WILL BE JAPAN'S FIRST ATTEMPT TO CALL FOR RELAXING SUCH A BAN. JAPAN IS NOW READY TO PROPOSE SUCH A REQUEST FOR THE REASON THAT IT HAS ACCUMULATED SUFFICIENT SCIENTIFIC DATA.

THE WASHINGTON TREATY STIPULATES THAT SUCH LARGE-SCALE WHALES AS BLUE WHALES AND MINKE WHALES ARE "IN DANGER OF EXTINCTION" (ATTACHMENT I); SO IT PROHIBITS COMMERCIAL TRADING OF THOSE SPECIES.

IN ORDER TO MAKE COMMERCIAL TRADE POSSIBLE, JAPAN WILL SEEK TO ALTER THE CATEGORIZATION OF MINKE WHALES TO "A SPECIES THAT ARE NOT NECESSARILY IN DANGER OF EXTINCTION, BUT WITHOUT RESTRICTIONS ON COMMERCIAL TRANSACTIONS, THEY MAY BE WIPED OUT" (ATTACHMENT II). NORWAY ALSO PLANS TO SUBMIT A SIMILAR PROPOSAL. JAPAN AND NORWAY WILL ASK THE RELAXATION OF COMMERCIAL TRADE OF THREE KINDS OF WHALES IN SIX AREAS INCLUDING MINKE WHALES IN THE ANTARCTIC OCEAN AND GRAY WHALES IN THE NORTHEAST PACIFIC OCEAN.

THE JAPANESE FISHERIES AGENCY POINTS OUT THAT IT HAS FOUND THAT THERE ARE AT LEAST ONE MILLION MIKE WHALES IN THE WORLD. THE INTERNATIONAL WHALING COMMISSION (IWC) ALSO HAS CONFIRMED THAT THERE EXIST 760,000 MINKE WHALES IN THE ANTARCTIC OCEAN. IT WAS DISCOVERED THAT THE NUMBER OF MINKE WHALES INCREASED BECAUSE OF THEIR HIGH

FERTILITY -- A MINKE WHALE GIVES BIRTH TO (A BABY WHALE) ONCE A YEAR, WHILE OTHER WHALES ONCE IN TWO TO THREE YEARS. BLUE WHALES INSTEAD HAVE DECREASED. JAPAN THEREFORE WILL APPEAL FOR THE NEED TO THIN OUT THE NUMBER OF MINKE WHALES.

U.S., JAPAN TALKS ON LIQUOR TAXATION OF RESTART
(YOMIURI - PAGE 13)

THE MINISTRY OF FINANCE (MOF) REVEALED YESTERDAY THAT JAPAN AND THE UNITED STATES HAVE RESUMED WORKING-LEVEL LIQUOR TAX NEGOTIATIONS OVER DISPARITIES IN JAPAN'S TAXES ON SHOCHU DISTILLED SPIRITS AND WHISKEY. FOR THE TALKS, THE MINISTRY DISPATCHED A RESPONSIBLE DIVISION DIRECTOR OF THE TAX BUREAU TO THE OFFICE OF U.S. TRADE REPRESENTATIVE (USTR). NO TALKS HAVE BEEN HELD SINCE THE WORLD TRADE ORGANIZATION (WTO) RULED IN FEBRUARY. REFUSING TO ACCEPT THE WTO RULING THAT WENT JAPAN SHOULD SHORTEN THE PERIOD IT HAS SET TO CORRECT THE DISPARITIES, UNCLAS SECTION 08 OF 08 TOKYO 004819

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; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-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 JUNE 4

JAPAN HOPES TO SETTLE THE DISPUTE BY BILATERAL TALKS. BUT REFLECTING THE U.S.' FIERCE REACTION TO JAPAN, DIFFICULT NEGOTIATIONS ARE EXPECTED UNTIL THE DEADLINE FOR JAPAN TO CORRECT THE GAPS IN FEBRUARY 1998. IF THE TALKS SEE NO SETTLEMENT BY THAT DEADLINE, THE U.S. WILL BE ABLE TO INVOKE SANCTION MEASURES.

IN THE WORKING-LEVEL TALKS, BOTH SIDES WILL DISCUSS A TIMETABLE FOR FUTURE NEGOTIATIONS. JAPAN, KEEPING THE DEADLINE IN MIND, IS SET TO URGE THE U.S. TO SPEED UP THE PACE OF TALKS.

THE EUROPEAN UNION (EU), THE U.S. AND CANADA HAVE LODGED A COMPLAINT WITH THE WTO AGAINST JAPAN'S LIQUOR TAXES, CLAIMING THAT THE TAX ON SHOCHU SPIRITS IS FAR LOWER THAN THOSE ON WHISKY AND OTHER FOREIGN LIQUORS. IN RESPONSE TO ITS HAVING LOST THE SUIT IN NOVEMBER, 1996, JAPAN CAME UP WITH A PLAN FOR TAX SYSTEM REFORM TO RECTIFY ITS TAX RATES OVER THE NEXT FIVE YEARS.

YET, THE U.S. COMPLAINED THE JAPAN SHOULD IMPLEMENT A SPEEDIER REFORM THAN THAT IT PLANNED. IN RESPONSE, THE WTO RULED IN FEBRUARY THAT JAPAN SHOULD "CORRECT THE GAPS

WITHIN 15 MONTHS (AFTER IT LOST THE CASE).

JAPAN HAS REFUSED TO FOLLOW THE WTO RULING, FOR SUCH REASONS AS THE UNDERSTANDING OF THE EU SHOWN TOWARD THE PLAN AND DIFFICULT DOMESTIC COORDINATION TO SHORTEN THE PERIOD. UNDER SUCH CIRCUMSTANCES, ATTENTION HAD BEEN SET ON WHEN JAPAN-U.S. BILATERAL TALKS WOULD BE RESUMED.
CRANE

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RUEHRC/USDA FAS WASHDC 3443
RUCPDOG/USDOC WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS JUNE 5

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 05 TOKYO 004877

USIA

FOR: USIA D/P, I/GEA, I/RE, I/RFW, EA, R/MR; STATE FOR
EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; CIA
WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN;
TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU
CHEMTOB IN ANT-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 JUNE 5

TOP HEADLINES:

ASAHI: TOKYO DISTRICT PUBLIC PROSECUTORS OFFICE INDICT
TWO FORMER NOMURA SECURITIES EXECUTIVE DIRECTORS; ON
CHARGE OF VIOLATION OF SECURITIES AND EXCHANGE LAW, ETC.;
INVESTIGATION INTO DAI-ICHI KANGYO BANK'S FINANCING NOW
IN FINAL STAGE

NIHON KEIZAI: NEC TO ADOPT HARMFUL MATERIAL GUIDELINES FROM THIS OCTOBER; WILL SORT OUT PARTS SUPPLIERS BY GIVING CONSIDERATION TO ENVIRONMENTAL EFFECTS; CANON WILL DISCUSS THIS MATTER PREMISED ON ADOPTION OF SAME KIND OF GUIDELINES

TOKYO SHIMBUN: DAI-ICHI KANGYO BANK CHARGED WITH TRANSFER OF PROFITS -- 600 MILLION YEN -- TO SOKAIYA RACKETEER; TOKYO DISTRICT PUBLIC PROSECUTORS OFFICE LAUNCHES FULL INVESTIGATION INTO FORMER GENERAL AFFAIRS DEPARTMENT EXECUTIVE OFFICERS AND OTHERS

MAINICHI: RACKETEER KOIKE'S WRITTEN QUESTIONS DRAWN UP AT REQUEST OF FORMER NOMURA SECURITIES' GENERAL AFFAIRS DEPARTMENT; AS PART OF COUNTERMEASURES TO OTHER RACKETEERS; FOR PURPOSE OF MATERIAL TO CONVINCE EXECUTIVES

YOMIURI: LDP PRESIDENTIAL ELECTION MAY OCCUR IN AUGUST; AGREEMENT REACHED AMONG THREE TOP LDP OFFICERS; REELECTION THROUGH TALKS NOW AIMED AT; EXTRAORDINARY DIET SESSION TO BE CONVENED IN EARLY SEPTEMBER (TRANSLATION BELOW)

SANKEI: DAI-ICHI KANGYO BANK SCANDAL: A PORTION OF 27.5 BILLION FINANCED TO RACKETEER DESPITE OF AWARENESS THAT SUCH LOANS MIGHT TURN BAD LOANS; TOKYO DISTRICT PUBLIC PROSECUTORS OFFICE NOW IN FINAL STAGE OF INVESTIGATIONS INTO EXECUTIVE OFFICERS TO SEE WHETHER THEY WERE INVOLVED

LDP PRESIDENTIAL ELECTION LIKELY IN AUGUST, EXTRAORDINARY DIET SESSION SET FOR EARLY SEPTEMBER (YOMIURI - TOP PLAY)

THE LIBERAL DEMOCRATIC PARTY (LDP) YESTERDAY DECIDED TO OPEN AN EXTRAORDINARY DIET SESSION IN EARLY SEPTEMBER IN ORDER TO DELIBERATE ON IMPORTANT BILLS, SUCH AS A FISCAL RECONSTRUCTION LAW (TENTATIVE NAME). IN THIS CONNECTION, AN OPINION HAS SURFACED IN THE PARTY LEADERSHIP THAT PRESIDENT HASHIMOTO'S REELECTION (HIS TERM OF OFFICE WILL EXPIRE AT THE END OF SEPTEMBER) SHOULD BE DECIDED THROUGH TALKS AS EARLY AS AUGUST, BEFORE THE NEXT EXTRAORDINARY DIET SESSION. A MEETING WAS HELD IN THE DIET YESTERDAY BETWEEN SECRETARY GENERAL KOICHI KATO AND EXECUTIVE COUNCIL CHAIRMAN YOSHIRO MORI, AND THE TWO REACHED AGREEMENT IN PRINCIPLE TO GO AHEAD IN THIS DIRECTION. TAKU YAMASAKI, THE PARTY'S POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN, ALSO REVEALED A SIMILAR OPINION YESTERDAY. THE THREE EXECUTIVES' OPINIONS ARE BASED ON SUSTAINING THE PRESENT COALITION ARRANGEMENT AMONG THE LDP, THE SOCIAL DEMOCRATIC PARTY (SDP) AND THE SAKIGAKE PARTY. THUS, IT IS UNCERTAIN WHETHER THOSE AIMING AT FORMING A CONSERVATIVE-CONSERVATIVE ALLIANCE (HO-HO RENGU) WITH THE SHINSHINTO (NEW FRONTIER PARTY) WILL ACCEPT THEIR PROPOSAL. INTRA-PARTY BARGAINING OVER THE PRESIDENTIAL ELECTION IS LIKELY TO INTENSIFY.

TMD PARTICIPATION: JAPAN TO POSTPONE JUDGMENT FOR ABOUT 3

YEARS (ASAHI - PAGE 1)

IT WAS LEARNED YESTERDAY THAT THE GOVERNMENTS OF JAPAN AND THE UNITED STATES AGREED IN PRINCIPLE TO DELAY FOR THREE YEARS OR SO A DECISION ON JAPAN'S PARTICIPATION IN THE THEATER MISSILE DEFENSE (TMD) INITIATIVE, WHICH IS UNDER STUDY IN THE U.S., ALTHOUGH SUCH A DECISION HAD UNCLAS SECTION 02 OF 05 TOKYO 004877

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; CIA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAPR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTICE FOR STU CHEMTOB IN ANT-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 JUNE 5

BEEN INITIALLY PLANNED FOR THIS SUMMER. WHAT TRIGGERED THIS POSTPONEMENT WAS A PROPOSAL BY THE U.S. ON THE CONTENTS OF THE (TMD) SYSTEM THAT SOUGHT JAPAN'S PARTICIPATION. ADDITIONALLY, IT WAS FOUND THAT JAPAN DID NOT HAVE EXTRA FINANCIAL RESOURCES NOW THAT THE MID-TERM DEFENSE CONSOLIDATION PLAN (CHUKIBO) HAS BEEN REVISED DOWNWARD IN DELIBERATIONS ON FISCAL RECONSTRUCTION. IN ORDER TO CONTINUE A SURVEY NECESSARY FOR IT TO JUDGE WHETHER TO PARTICIPATE, THE JAPANESE GOVERNMENT INTENDS TO INCLUDE NEW RESEARCH FUNDS IN THE NEXT FISCAL YEAR'S DRAFT BUDGET.

ACCORDING TO AN INFORMED SOURCE, JAPAN HAD PROCEEDED WITH STUDIES FOCUSED ON GROUND-BASED THEATER HIGH ALTITUDE AIR DEFENSE (THAAD) MISSILES AS PART OF THE TMD SYSTEM. BUT LAST DECEMBER, (THEN) U.S. SECRETARY OF DEFENSE PERRY, DURING HIS STAY IN JAPAN, PROPOSED: "THERE IS LITTLE ROOM FOR JAPAN TO PARTICIPATE IN RESEARCH AND DEVELOPMENT ON THAAD, SO IT IS BETTER FOR JAPAN TO PARTICIPATE IN RESEARCH ON A SEA-BASED FIRING SYSTEM SUCH AS (FIRING FROM) THE AEGIS."

IN RESPONSE, THE JAPANESE SIDE, ATTACHING IMPORTANCE TO THE U.S. SUGGESTION, DECIDED TO LAUNCH A STUDY OF THE SEA-BASED FIRING SYSTEM. WHEN SECRETARY OF DEFENSE COHEN CAME HERE THIS APRIL, THE JAPANESE SIDE TOLD HIM THAT IT COULD NOT AVOID DELAYING A DECISION ON PARTICIPATION FOR ABOUT THREE YEARS, PENDING THE OUTCOME OF THE STUDY. COHEN GAVE HIS AGREEMENT.

THE JAPAN DEFENSE AGENCY (JDA) REPORTEDLY EXPLAINED THESE CIRCUMSTANCES AND ITS POLICY LINE DURING DEBATES BY THE CONFERENCE ON FISCAL STRUCTURAL REFORM, HELD BY THE GOVERNMENT AND RULING PARTIES, AND OBTAINED APPROVAL BEFORE THE CONFERENCE COMPILED ITS "SET OF PROMOTIONAL

MEASURES FOR FISCAL STRUCTURAL REFORM" ON JUNE 3. TRIMMING THE MID-TERM DEFENSE CONSOLIDATION PLAN (CHUKIBO) BY NEARLY 920 MILLION YEN IS INCLUDED AS ONE OF THE "PROMOTIONAL MEASURES" INVOLVING THE DEFENSE BUDGET, BUT THESE CUTS ARE PREMISED ON POSTPONING THE QUESTION OF WHETHER TO JOIN TMD, WHICH REQUIRES VAST OUTLAYS, UNTIL AFTER THE INTENSIVE REFORM PERIOD ENDS IN 2000.

NEW SET OF DEFENSE GUIDELINES: INTERIM REPORT TO INCORPORATE PRACTICAL EFFECTIVENESS (ASAHI - PAGE 2)

THE GOVERNMENTS OF JAPAN AND THE UNITED STATES, WHICH HAVE BEEN CARRYING OUT A REVIEW OF THE GUIDELINES FOR JAPAN-U.S. DEFENSE COOPERATION, REACHED AGREEMENT AS OF YESTERDAY TO INCORPORATE THE PHRASE "IT IS MEANINGFUL TO ENSURE EFFECTIVENESS" IN THEIR INTERIM REPORT. THE PRESENT GUIDELINES IMPOSE NO LEGAL OBLIGATION ON EITHER COUNTRY. THE TWO COUNTRIES APPEAR TO BE AIMING AT ENHANCING JAPANESE LAWS BY CLEARLY MENTIONING IN THE NEW GUIDELINES EACH COUNTRY'S RESPONSIBILITY TO PROVIDE COOPERATION. THE NEW GUIDELINES SUGGEST INCLUSION OF (TYPES OF) DEFENSE COOPERATION NOT ALLOWED UNDER PRESENT JAPANESE LAW.

WITH SPECIAL CONSIDERATION TO THE SECURITY ARGUMENT IN JAPAN, THE CURRENT GUIDELINES STIPULATE A PRECONDITION: "THIS DOES NOT OBLIGATE EITHER COUNTRY TO TAKE ANY LEGISLATIVE, BUDGETARY, OR ADMINISTRATIVE MEASURES." IN COMPILING A NEW SET OF GUIDELINES, THE TWO COUNTRIES ARE ALREADY IN AGREEMENT ON ELIMINATING THIS PRECONDITION BECAUSE ADJUSTING JAPANESE LAW, SUCH AS AMENDING THE SELF-DEFENSE FORCES LAW, WILL BE NECESSARY TO CARRY OUT FULL-SCALE JAPAN-U.S. DEFENSE COOPERATION. THE JOINT DECISION TO INCLUDE "ENSURING EFFECTIVENESS" IN THE INTERIM REPORT REVEALS THE TWO COUNTRIES' STRONG RESOLVE TO UPGRADE JAPANESE LAWS.

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NEVERTHELESS, THERE IS DEEP-SEATED OPPOSITION IN JAPAN TO REVIEWING THE GUIDELINES SO AS TO REQUIRE LEGAL ADJUSTMENTS. UNDER THE CIRCUMSTANCES, THE INTERIM REPORT WILL LEAVE SPECIFIC STEPS TO THE TWO COUNTRIES' GOVERNMENTS/PARLIAMENTS. SINCE THE GUIDELINES ARE NOT AN

INTERNATIONAL PLEDGE SUCH AS A TREATY, "ENSURING EFFECTIVENESS" IS EXPECTED TO BE CHARACTERIZED AS A GENTLEMEN'S AGREEMENT OF SORTS BETWEEN THE TWO COUNTRIES. THE INTERIM REPORT DUE OUT ON THE 8TH WILL OUTLINE JAPAN-U.S. COOPERATION IN TIMES OF CONTINGENCIES AROUND JAPAN, AN AREA NEVER BEFORE STUDIED, IN ADDITION TO REVISED MEASURES FOR EMERGENCIES IN JAPAN, AN AREA MENTIONED IN DETAIL IN THE PRESENT GUIDELINES.

U.S. MILITARY LIVE-FIRE ARTILLERY TRAINING TO START NEXT MONTH AT GSDFQS KITAFUJI RANGE (NIHON KEIZAI - PAGE 2)

THE GOVERNMENT YESTERDAY STARTED COORDINATION WITH RELEVANT LOCAL GOVERNMENTS TO DESIGNATE KITAFUJI TRAINING AREA (YAMANASHI PREFECTURE) AS THE FIRST LIVE-FIRE TRAINING SITE FOLLOWING THE DECISION TO TRANSFER LIVE-FIRE EXERCISES BY U.S. FORCES (FROM THE CURRENT LOCATION) WHICH CROSS OKINAWA PREFECTURE ROUTE 104 TO MAINLAND JAPAN. FOLLOWING EXERCISES AT KITAFUJI IN JULY, THE GOVERNMENT IS CONSIDERING EXERCISES AT YAUSUBETSU (HOKKAIDO), OGIJIHARA (MIYAGI PREFECTURE), HIGASHIFUJI (SHIZUOKA PREFECTURE) AND HIJUDAI (OITA PREFECTURE), IN THIS ORDER.

JDA CHIEF MEETS WITH NAGO MAYOR (YOMIURI - PAGE 5)

MAYOR TETSUYA HIGA OF NAGO CITY, WHERE AN ALTERNATIVE HELIPORT IS PLANNED AS A REPLACEMENT FOR THE U.S. MILITARY'S FUTENMA AIRFIELD IN OKINAWA, MET SUCCESSIVELY WITH JAPAN DEFENSE AGENCY DIRECTOR GENERAL FUMIO KYUMA AND DEFENSE FACILITIES ADMINISTRATION AGENCY DIRECTOR GENERAL MASUO MORODOMI ON THE 4TH, AND REQUESTED THAT THE NATIONAL AND PREFECTURAL GOVERNMENTS TAKE RESPONSIBILITY TO OBTAIN LOCAL RESIDENTS' UNDERSTANDING.

RENGO AFFILIATES CAUTIOUS ABOUT NON-LDP RALLY
(MAINICHI - PAGE 2)

IN A MEETING OF ITS CENTRAL COMMITTEE TODAY, RENGU (JAPAN TRADE UNION CONFEDERATION, CHAIRED BY JINNOSUKE ASHIDA) WILL DISCUSS ITS POLICY DIRECTION FOR THE UPPER HOUSE ELECTION TO TAKE PLACE NEXT SUMMER. THE LEADERSHIP IS VERY CONCERNED ABOUT THE PRESENT SITUATION, FEELING THAT UNLESS POLITICAL PARTIES RENGU HAS SUPPORTED KEEP IN STEP, THE LIBERAL DEMOCRATIC PARTY (LDP) WILL DEFEAT THEM OVERWHELMINGLY (IN THE UPPER HOUSE ELECTION). IT WILL OFFER A POLICY LINE OF LAUNCHING, IN EFFECT, A "NEW PARTY" BY ADOPTING A UNIFIED CANDIDATE/REGISTER FORMULA IN THE ELECTORAL DISTRICTS AND PROPORTIONAL SLATE TO AVOID AFFILIATED UNIONS FROM SPLITTING THEIR VOTES. THE LEADERSHIP THEN INTENDS TO CALL ON VARIOUS PARTIES TO BRING ABOUT A "NON-LDP" ALLIANCE. ALTHOUGH ITS AFFILIATED UNIONS HAVE BEEN CAUTIOUS AND THE POLITICAL SIDE'S RESPONSE IS SLOW, RENGU EXECUTIVES AIM AT ADOPTING SUCH A PLATFORM FOR REALIGNING "NON-LDP" FORCES.

RENGO, HOWEVER, HAS YET TO FULLY COORDINATE VIEWS ON NEXT YEAR'S UPPER HOUSE ELECTION. IN A MEETING OF THE

POLITICAL COMMITTEE ON THE 2ND, A SERIES OF REQUESTS FROM ATTENDEES SUGGESTED THAT "EMOTIONAL POLITICAL EXPRESSIONS SHOULD NOT BE USED." ALSO EXPRESSED WAS THE VIEW THAT REFERENCE TO SPECIFIC MEASURES, INCLUDING A UNIFIED CANDIDATE REGISTER FORMULA ON THE PROPORTIONAL SLATE, SHOULD BE AVOIDED.

AFTER THE POLITICAL COMMITTEE MEETING, CHIEF OF THE SECRETARIAT ETSUYA WASHIO INSTRUCTED THE SECRETARIAT THAT UNCLAS SECTION 04 OF 05 TOKYO 004877

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS JUNE 5

"IN ORDER FOR RENGO TO TAKE A STRONG STANCE, REFERENCE TO A UNIFIED REGISTER SYSTEM SHOULD BE INCLUDED IN THE POLICY FOR THE UPPER HOUSE ELECTION." WHAT LIES BEHIND THE LEADERSHIP'S EAGERNESS FOR THE NEXT UPPER HOUSE ELECTION IS RENGO'S ACKNOWLEDGMENT THAT ITS INFLUENCE HAS DECLINED SINCE IT FAILED TO URGE THE GOVERNMENT TO CONTINUE A 2 TRILLION YEN SPECIAL TAX CUT THIS FISCAL YEAR. THE LEADERSHIP THINKS THAT "THE NEXT UPPER HOUSE ELECTION IS THE LAST CHANCE FOR RENGO TO RESTORE ITS INFLUENCE."

AFTER THE CURRENT DIET SESSION ENDS, A SERIES OF PRESSING POLICY ISSUES THAT MIGHT AFFECT THE FRAMEWORK OF THE GOVERNMENT MUST BE ATTENDED TO, SUCH AS ADMINISTRATIVE AND FISCAL REFORM, AS WELL AS THE REVIEW OF THE JAPAN-UNITED STATES DEFENSE COOPERATION GUIDELINES. THE RENGO LEADERSHIP FEELS PRESSURED; "IF WE MISS THIS TIMING, RENGO WILL NOT BE ABLE TO COPE." (A RENGO EXECUTIVE).

RENGO HOPES TO FORMALLY REQUEST VARIOUS POLITICAL PARTIES' COOPERATION IN THE UPPER HOUSE ELECTION AFTER "BENEFITING FROM THE CLOUT" OF AN ORGANIZATIONAL DECISION BY THE CENTRAL COMMITTEE. THE POLITICAL PARTY SIDE, HOWEVER, HAS VOICED DOUBTS, AS SEEN IN SUCH REMARKS AS: "THERE STILL REMAIN TRACES OF ILL WILL IN VARIOUS PARTIES WHICH FOUGHT IN LAST FALL'S LOWER HOUSE ELECTION" (FORMER DEMOCRATIC SOCIALIST PARTY-AFFILIATED DIETMEMBER).

MOREOVER, "IF RENGO STEPS OUT IN FRONT, NEGATIVE REACTIONS FROM CITIZENS' GROUPS WILL ARISE" (DIET MEMBER FROM DEMOCRATIC PARTY OF JAPAN). UNDER SUCH CIRCUMSTANCES, RENGO FACES A DEFINING MOMENT REGARDING WHETHER IT WILL CONTINUE WORKING BEHIND THE SCENES.

(ATSUSHI NAKAMURA)

JAPAN VERSION OF BIG BANG: MITI INDUSTRIAL PANEL PROPOSES
APRIL IMPLEMENTATION (YOMIURI - PAGE 9)

THE INDUSTRIAL STRUCTURE COUNCIL (ADVISORY PANEL TO THE MITI MINISTER) YESTERDAY UNVEILED ITS REPORT PROPOSING THE GOVERNMENT TAKE STEPS TO START IMPLEMENTING THE JAPANESE-VERSION BIG BANG (DRASTIC REFORM OF THE FINANCIAL SYSTEM) IN APRIL, 1998, THREE YEARS AHEAD OF THE INITIALLY TARGETED 2001. BASED ON THE VIEW THAT IT IS VITAL TO BOLDLY PROMOTE A SERIES OF REFORMS SUCH AS CROSS-ENTRY INTO THE BANKING, SECURITIES AND INSURANCE INDUSTRIES FOR CUSTOMERS, INCLUDING INDUSTRIAL CIRCLES AND (INDIVIDUAL) CONSUMERS, THE PANEL REITERATED THE NEED TO OVERHAUL REFORMS LED BY THE FINANCE MINISTRY, POINTING OUT THAT SUCH REFORMS TEND TO BE CARRIED STEP-BY-STEP DUE TO THE NEED FOR COORDINATION OF INTERESTS AMONG DIFFERENT INDUSTRIES.

THE REPORT WARNS THAT UNLESS JAPAN CARRIES OUT FINANCIAL AND CAPITAL MARKET REFORM QUICKLY, IT WILL LOSE ITS COMPETITIVENESS IN THE INTERNATIONAL MARKET AND RISKS INDUSTRIAL HOLLOWING OUT, RESULTING IN A NEGATIVE EFFECT ON THE VITALITY AND COMPETITIVENESS OF MANUFACTURING AND OTHER INDUSTRIES. THE REPORT SUGGESTS THE GOVERNMENT SPEED UP ITS DRIVE FOR REFORMS AND SET UP A SYSTEM TO ENABLE INDUSTRIAL CIRCLES TO SECURE AND USE FUNDS EFFECTIVELY, AND TO ENABLE CONSUMERS TO RECEIVE A VARIETY OF FINANCIAL SERVICES.

JAPAN, U.S., EUROPE PLANNING TO ESTABLISH COMMON PATENT APPROVAL SYSTEM (NIHON KEIZAI - PAGE 5)

THE PATENT AGENCIES OF JAPAN, THE UNITED STATES AND EUROPE HAVE STARTED PREPARATIONS TO SET UP A "MUTUAL APPROVAL SYSTEM FOR PATENTS." UNDER THIS SYSTEM, A PATENT AUTHORIZED IN ONE OF THE THREE COUNTRIES/AREAS WILL BE ACCEPTED BY THE OTHER TWO. GIVEN INCREASING UNCLAS SECTION 05 OF 05 TOKYO 004877

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CASES IN WHICH A COMPANY FILES AN APPLICATION FOR PATENTS WITH THE THREE COUNTRIES' PATENT OFFICES SIMULTANEOUSLY, THEY HOPE THAT INTRODUCING THE SYSTEM WILL SAVE

DUPLICATING SCREENING PROCEDURES AND REDUCE COMPANIES' BUSINESS EXPENSES. FIRST, THEY WILL ADOPT, IN FIVE YEARS, COMPATIBLE SCREENING STANDARDS AS WELL AS A SEARCH SYSTEM NECESSARY FOR SCREENING APPLICATIONS, IN A MOVE FOR THE COUNTRIES TO BE ABLE TO USE EACH OTHER'S SCREENING RESULTS. THEY ALSO AIM TO LIGHTEN THE BURDEN ON SCREENING INSTITUTIONS, WHICH ARE OVERWHELMED WITH WORK TO DEAL WITH INCREASING APPLICATIONS, AND TO SHORTEN THE SCREENING PERIOD.

FOREIGN MINISTER IKEDA: LARGE-SCALE FOOD AID TO NORTH KOREA PREMISED ON DIPLOMATIC RELATIONS (SANKEI - PAGE 2)

REGARDING THE PROBLEM OF EXTENDING FOOD AID TO NORTH KOREA, FOREIGN MINISTER YUKIHIKO IKEDA STATED AT A LOWER HOUSE FOREIGN AFFAIRS COMMITTEE MEETING ON THE 4TH THAT "(JAPAN'S) CARRYING OUT SIGNIFICANTLY LARGE-SCALE FOOD AID (TO NORTH KOREA) IS TO BE PREMISED ON DIPLOMATIC RELATIONS (BETWEEN JAPAN AND NORTH KOREA)." WITH THIS, THE FOREIGN MINISTER CLARIFIED THE GOVERNMENT'S STANCE THAT JAPAN CANNOT RESPOND TO NORTH KOREA'S CALL FOR FOOD AID ON THE SCALE OF 1,000,000 TONS UNLESS THERE IS SOME PROGRESS IN THE SUSPENDED NORMALIZATION TALKS BETWEEN JAPAN AND NORTH KOREA. THE FOREIGN MINISTER WAS REPLYING TO A QUESTION BY SHOICHI KONDO OF THE DEMOCRATIC PARTY OF JAPAN (MINSHUTO).

IN HIS REPLY, FOREIGN MINISTER IKEDA STATED THE GOVERNMENT'S PRINCIPLE THAT: "GENERALLY SPEAKING, ECONOMIC COOPERATION CANNOT BE CARRIED OUT WITHOUT STATE-TO-STATE RELATIONS." HE ADDED THAT, "OF COURSE, THERE ARE EXCEPTIONAL CASES. FOR INSTANCE, THERE ARE ACTIVITIES CONDUCTED BY INTERNATIONAL ORGANIZATIONS, AND THERE IS AID THAT IS NOT VERY LARGE SCALE, AS WELL AS HUMANITARIAN AID AND SOME URGENT CASES." THE FOREIGN MINISTER HAS THUS UNDERSCORED HIS VIEW THAT HUMANITARIAN AID, NOW BEING PROPOSED BY THE UNITED NATIONS, IS AN EXCEPTIONAL CASE.

GOVERNMENT TO SET UP LIAISON CONFERENCE ON JAPAN'S NORTH KOREA POLICY (ASAHI - PAGE 3)

THE GOVERNMENT DECIDED ON THE 4TH TO SET UP A LIAISON CONFERENCE FOR ITS MINISTRIES AND AGENCIES CONCERNED TO EXCHANGE INFORMATION ABOUT ITS POLICY TOWARD THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA). PARTICIPATING IN THE CONFERENCE WILL BE OFFICIALS FROM THE MINISTRY OF FOREIGN AFFAIRS, THE MINISTRY OF FINANCE, THE MINISTRY OF JUSTICE, THE NATIONAL POLICE AGENCY, AND SOME OTHER RELEVANT MINISTRIES AND AGENCIES, AND IT IS EXPECTED TO EXCHANGE INFORMATION REGARDING SUCH ISSUES AS FOOD AID TO NORTH KOREA, SUSPECTED ABDUCTIONS (OF JAPANESE), AND JAPANESE WIVES' TEMPORARY RETURN HOME.
CRANE

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