

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	Re: Visit to Japan (5 pages)	10/22/1997	P1/b(1)
002. cable	Re: Japan-U.S. / Okinawa Base Issues (4 pages)	10/22/1997	P1/b(1)
003. cable	Re: Digest Executive Edition (15 pages)	10/24/1997	P1/b(1)
004. cable	Re: Okinawa Landowners (3 pages)	10/24/1997	P1/b(1)
005. cable	Re: Support Cable for East Asia Brief (3 pages)	10/25/1997	P1/b(1)
006. cable	Re: Sea-Based Facility (5 pages)	10/27/1997	P1/b(1)
007. cable	Re: Specifications for Futenma Relocation (5 pages)	10/27/1997	P1/b(1)
008. cable	Re: Meeting with Okinawa Marine Corps Commanders (3 pages)	10/29/1997	P1/b(1)
009. cable	Re: Heliport - Referendum (3 pages)	10/29/1997	P1/b(1)
010. cable	Re: Futenma Relocation to Sea-Based Facility (4 pages)	10/30/1997	P1/b(1)
011. cable	Re: Missile Defense Plans (5 pages)	10/30/1997	P1/b(1)
012. cable	Re: Comments on Futenma Relocation (4 pages)	10/30/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[10/22/1997 - 10/30/1997]

2016-0420-F

sb1912

RESTRICTION CODES

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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)]

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Cable

PREC: PRIORITY

CLASS: UNCLASSIFIED

LINE1: PTTUZYUW RUEKJCS1335 2951610-UUUU--RHEHWSR.

LINE2: ZNR UUUUU

LINE3: P 221450Z OCT 97

LINE4: FM JOINT STAFF WASHINGTON DC//JECG-J2/SIMULATED-CIA//

OSRI: RUEKJCS

DTG: 221450Z OCT 97

ORIG: JOINT STAFF WASHINGTON DC//JECG-J2/SIMULATED-CIA//

TO: RHHMUNA/USCINCPAC HONOLULU HI//J22/CAT/JECG//
RHHJJAA/JICPAC HONOLULU HI//CASC//
RHHJRAP/CDRUSARPAC INTEL FT SHAFTER HI //APIN//
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N2//
RUHVPAH/HQ PACAF HICKAM AFB HI//CAT/DOX//
RHHMUNS/COMSOPAC HONOLULU HI//SOJ2//
RUAGAMS/COMUSKOREA SEOUL KOR//FKJ2//
RUCJACC/USCINCENT MACDILL AFB FL//CAT/JECG//
RUCQAAA/USCINCENT INTEL CEN MACDILL AFB FL//
RUEASRT/COMUSARCENT FT MCPHERSON GA//CAT/G2//
RUHEHMS/COMMARFORPAC//CAT/G2//
RUEOBBA/USCENTAF SHAW AFB SC//CAT/A2/IN//
RUCJNAV/DEPCOMUSNAVCENT MACDILL AFB FL//N2//
RUCJICS/COMSOCCENT MACDILL AFB FL//SOJ2//
RUCJAAA/USCINCSOC MACDILL AFB FL//CAT/JECG//
RUCQVAB/USCINCSOC INTELQPS CEN MACDILL AFB FL//
RHCUAAA/USTRANSCOM SCOTT AFB IL//CAT/JECG//
RUWSMXI/USCINCTrans INTEL CEN SCOTT AFB IL//TCJ2-J//

INFO: RUEKJCS/JOINT STAFF WASHINGTON DC//J2/J7 JECG//
RUEAAMC/CDR AMC ALEXANDRIA VA//AMCOC//
RHCUAAA/HQ AMC SCOTT AFB IL//CAT/JECG//
RUDMGRD/COGARD INTELCOORDCEN WASH DC //

SUBJ: *** NO SUBJECT FOUND ***

TEXT:

UNCLAS

EXER/EXERCISE POSITIVE FORCE 98//

FOREIGN BROADCAST INFORMATION SERVICE

REGION: EAST ASIA, THE AMERICAS

SUB-REGION: NORTHEAST ASIA, NORTH AMERICA

COUNTRY: JAPAN, UNITED STATES

TOPIC: INTERNATIONAL, POLITICAL, MILITARY

SOURCE-DATE: 10/22/1997[0]

OKINAWAN GROUPS RALLY TO OPPOSE US FORCES USING OKINAWA AS A
STAGING BASE FOR WAR.

OW2210092197 NAHA OKINAWA TIMES IN JAPANESE[25] 22 OCT 97

MORNING

EDITION P 1

[FBIS TRANSLATED TEXT] BEFORE "OCTOBER 22 INTERNATIONAL ANTIWAR
DAY," AN OKINAWAN PREFECTURAL RALLY, WHICH WAS HELD IN YOGI PARK
IN NAHA CITY ON THE EVENING OF 20 OCTOBER, UNANIMOUSLY ADOPTED A
RESOLUTION AGAINST THE USE OF OKINAWA SOIL FOR A WAR AGAINST
AGAINST NORTH KOREA.

IT HAS BEEN TWO YEARS SINCE THE RAPE OF A SCHOOLGIRL BY U.S. PERSONNEL AND THE PREFECTURAL MASS RALLY THAT DREW 85,000

PAGE 05 RUEKJCS1335 UNCLAS

PARTICIPANTS. AT THE RALLY, PARTICIPANTS NOTED THAT THE SPECIAL ACTION COMMITTEE ON OKINAWA'S (SACO) AGREEMENT ON THE RETURN OF 11 FACILITIES WILL NOT LEAD TO REDUCTION OF BASES, BECAUSE MOST OF THESE FACILITIES ARE PLANNED TO BE RELOCATED SOMEWHERE IN THE PREFECTURE. THEY ALSO CALL FOR RETURN OF THE U.S. MARINE CORPS AIR STATION FUTENMA WITHOUT CONDITION. YASUHIRO MIYAGI, A LEADER OF THE "COUNCIL TO OPPOSE THE HELIPORT CONSTRUCTION," CITED THE PREFECTURAL MASS RALLY HELD TWO YEARS AGO AS THE STARTING POINT. LEADERS OF LOCAL MUNICIPALITIES, DEMOCRATIC ORGANIZATIONS, AND POLITICAL PARTIES GAVE SPEECHES ONE AFTER ANOTHER. IN ADDITION TO SEVEN SLOGANS, THE RALLY ADOPTED A SPECIAL APPEAL FOR THE PEOPLE'S VOTE AGAINST WAR WITH NORTH KOREA AND A RETURN OF ALL NATIVE LANDS TO THE OKINAWAN PEOPLE. THEN THE PARTICIPANTS, YELLING IN CHORUS, MARCHED TWO KILOMETERS FROM YOGI PARK TO KOKUSAI STREET AND TO OKINAWA PREFECTURAL HALL. [DESCRIPTION OF SOURCE: OKINAWA TIMES -- ONE OF TWO MAJOR OKINAWA PREFECTURE NEWSPAPERS]

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EXERCISE

EXERCISE

EXERCISE

EXERCISE POSITIVE FORCE 98

UNCLASSIFIED

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SECT: SECTION: 01 OF 01

SSN: 1335

TOR: 971022162256 M2988434

DIST:

SIT: NSC

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PREC: IMMEDIATE
CLASS: UNCLASSIFIED
LINE1: OAAUZYUW RUEHKO A9360 3000824-UUUU--RHEHAAA.
LINE2: ZNR UUUUU ZZH
LINE3: O 270824Z OCT 97
LINE4: FM AMEMBASSY TOKYO
OSRI: RUEHKO
DTG: 270824Z OCT 97
ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 2543
INFO: RUEAWJA/DEPT OF JUSTICE WASHDC IMMEDIATE
RUEKJCS/SECDEF WASHDC IMMEDIATE
RUEATRS/TREASURY DEPT WASHDC IMMEDIATE
RHEHAAA/WHITEHOUSE WASHDC IMMEDIATE
RUEKDIA/DIA WASHDC IMMEDIATE
RUCPDOG/USDOC WASHDC IMMEDIATE
RUEHIA/USIA WASHDC IMMEDIATE 7344
RUEAIIA/CIA WASHDC IMMEDIATE
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RHHMUNA/USCINCPAC HONOLULU HI
RUALSFJ/COMUSJAPAN YOKOTA AB JA//J5/JO21//
RUEHOK/AMCONSUL OSAKA KOBE 4187
RUHBBMA/AMCONSUL NAHA 0377
RUAYJAA/COMPATWING ONE KAMI SEYA JA
RUATJHU/CGUSARJ CAMP ZAMA JA//IX CORPS G5//
RUEHKON/AMCONSUL NAGOYA 3156
RUEHKOF/AMCONSUL FUKUOKA 7292
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RUEHKOS/AMCONSUL SAPPORO 3503
RUESDJ/FBIS OKINAWA JA
RUCWAAB/FBIS RESTON VA
SUBJ: JAPANESE DAILY PRESS SUMMARY 10/27/97

TEXT:
UNCLAS SECTION 01 OF 14 TOKYO 009360

DEPT FOR E, P, PM, EB, EAP/J AND S/AL
USIA FOR MR AND REA
WHITE HOUSE FOR NSC, NEC
JUSTICE FOR DAVID BOLING IN ANTI-TRUST DIVISION
COMMERCE FOR JEAN GRIER IN GENERAL COUNCILQS OFFICE, DAS
TREASURY FOR OASIA/IMI/JAPAN
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E.O. 12958: N/A
TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 10/27/97

INDEX:

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(3) Search for a New Order in the Securities Market -- Part (2): Options for Investors; Attraction of "Information" from Foreign Firms

(4) Editorial: Don't Let the Futenma Reversion Drift Away

(5) Japan-U.S. Port Talks Reach Agreement in General; Next "Burden" Is Domestic Coordination; Labor-Management Negotiations Unpredictable; Japan's Harbor Transport Costs Exorbitant; Complicated Port Entry/Departure Procedures; Handling of Container Ships Stagnant, Ushering in Decline in Competitive Edge

(6) New Century for Japan, U.S., China: Jiang Z-EMIN's Visit to the U.S.; Practical Engagement; U.S., China Both Groping for Ways to Stabilize the Base of Their Ties

ARTICLES:

(1) Revolt of Policy Cliques against Administrative Reform for Japan Rebuilding (Part 2): Separation of River Bureau (from Construction Ministry); Chorus of Objections against "Possible Shrinking of the Delicious Pie"

YOMIURI (Page 1) (Excerpts) October 18, 1997

One of the key objectives of administrative reform is to correct the vertically-segmented government administration and its duplication of effort. In this respect, a scalpel is being plunged into the system of public works construction, which has become bloated and rigid. However, the ministries and agencies concerned have formed a close huddle and are working with a (construction-related) policy clique of Dietmembers, who are bustling about trying to hold on to the status quo. Can any effort be expected of them to fulfill their political responsibilities?

Tamisque Watanuki, former construction minister and former (Liberal Democratic Party) secretary general, is a powerful leader of the construction clique, which is one of the Big Three cliques in the LDP, along with the agriculture and forestry

and the commerce and industry cliques. At a party held on the night of the 16th, hosted by former agriculture, forestry and fisheries minister Hosei Norota, he declared: "We have to dump the proposal
UNCLAS SECTION 02 OF 14 TOKYO 009360

DEPT FOR E, P, PM, EB, EAP/J AND S/AL
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calling for dividing the Ministry of Construction (MOC) based on the notion of separating off the River Bureau. I will lead the charge and make a strenuous effort to do so."

In the construction clique, which is the citadel of the former Obuchi faction that has taken over the traditions of the late former prime minister Tanaka, Watanuki now serves as chairman of the LDP Research Commission on Highways, the post that the late former LDP vice president Shin Kanemaru stubbornly held for many years. Norota, an ex-MOC official, serves as deputy chief of the commission. Many attending the party had ties to the Construction Ministry.

There is a proposal (in the administrative reform report) to create a "national land preservation ministry" and a "national land development ministry." The land preservation ministry would merge river administration (now under the MOC) with the Ministry of Agriculture, Forestry and Fisheries (MAFF) and certain other agencies. The land development ministry would be formed by melding the remaining portions of the MOC with the Ministry of Transport (MOT), the National Land Agency (NLA), the Hokkaido Development Agency and the Okinawa Development Agency. This scheme was revealed by the Prime Minister himself at a CAR meeting on August 19. Watanuki's remark spurning even the Prime Minister's desire symbolically illustrates "the logic of the policy cliques."

The day after the Prime Minister floated his proposal, nearly 30 lawmakers of both houses of the Diet including upper-house member Takashi Inoue (of the former Obuchi faction), who once served as vice minister of construction, summoned senior MOC officials. Among them there were Administrative

Vice Minister Ban and River Bureau Director General Hideaki Oda. Both politicians and bureaucrats discussed a counterproposal at the Upper House Dietmembers' Office Building.

Angry views erupted from the group: "It is we Dietmembers who make laws. It is outrageous to separate the River Bureau (from the MOC) without first consulting us," and "The Prime Minister is simply trying to show convincing numbers that favor the Ministry of International Trade and Industry (MITI) and the Ministry of Finance (MOF), inspired by Eda (Kenji Eda, parliamentary secretary to the Prime Minister hailing from MITI) and Saka (Atsuo Saka, administrative secretary to the Prime Minister hailing from MOF). This is nothing more than brain trusters-led politics."

The moment the interim report was unveiled on September 3, the (LDP's) Construction Department (bukai) and the MOC in close collaboration began to fight back.

An executive council of the reorganization countermeasures project team, which as a task force
UNCLAS SECTION 03 OF 14 TOKYO 009360

DEPT FOR E, P, PM, EB, EAP/J AND S/AL
USIA FOR MR AND REA
WHITE HOUSE FOR NSC, NEC
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was launched by the (LDP's) Construction Department to thwart the separation proposal, is like an assembly of construction policy clique lawmakers with a lineup of all bigwig politicians, and "those who are not included are perhaps former prime minister Takeshita and Chief Cabinet Secretary Muraoka" (senior member of the LDP Policy Affairs Research Council).

It is of vital importance for construction policy clique legislators to get as immediate as possible information on road construction and to appeal to the Government to appropriate a budget for projects planned in his own electorate. In return for their efforts made in this way, they can expect "votes and money (political donations)" because general contractors and small and medium-sized companies in their constituencies are connected with public

works projects. If the River Bureau, which has dam construction and other related projects under its assignments will shrink. "It is a good idea to favor the MOC now in order to make it feel it owes us" (mid-ranking lawmaker).

A senior member of the construction policy clique from the beginning has assumed the stance of "not separating the river sector from construction administration but integrating the entire MOC into a national land preservation ministry." He has been laying the groundwork in the party to coax senior members of the Transportation Department and the Agriculture-Forestry Department (in the LDP).

Of the 9.7 trillion yen appropriated as the public works projects expenses in the fiscal 1997 national budget, 6.6 trillion yen -- nearly 70 percent -- is put in the hands of the MOC. Of that amount, 1.3 trillion yen has gone to the River Bureau's budget, which is mainly spent for afforestation and flood prevention projects.

For the MOC, detaching the River Bureau from itself would certainly whittle down its strength backed up by an enormous public works projects budget. If the MAFF gets to windward of the MOC, "the fear is officials hailing from the MOC may be placed in a disadvantageous position with response to treatment" (senior official).

A head of a certain town in the Kita-Kanto region received from a MOC official familiar with him a city map showing areas subject to flood prevention projects, road construction works and projects related to demarcation. Later he received a telephone call from this official saying, "Until now the MOC have been able to make arrangements for all these, but if it is decided that approvals for river projects are given by another ministry not by the River Bureau, you will encounter trouble." In mid-October, the town head came up to Tokyo with the city map in his hand and petitioned lawmakers elected from his prefecture "not to separate the River Bureau from (the MOC)."

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In late September, a senior LDP member called a senior MOC official and told him: "Not to worry. There'll be no separation of the River Bureau."

If things go as is, Hashimoto's administrative reform is likely to end up retaining the same contents as before even after the names of ministries and agencies are changed.

(To be continued.)

(Administrative reform reporting team)

(2) Probing the LDP-Sponsored Emergency Economic Stimulus Package; Poor Implementability; Economic Effects "Wrapped in a Mist"

MAINICHI (Page 9) (Almost Full) October 22, 1997

The Liberal Democratic Party (LDP) yesterday released its "emergency national economic stimulus package," but it is impossible to calculate its unclear effect on the economy. That is because the package has simply reshaped into measures the requests of the party that would annually be mapped out during budget compilation or tax reform. As it stands, the feasibility of the package is difficult to forecast. The stock market plunged the same day, reflecting market investors' icy response to the package. The rekindling of the argument "calling for income tax cuts financed by the issuance of deficit-covering bonds," aimed at restoring the LDP's lost face, is anticipated, but revision of the fiscal structural reform line will drive the Hashimoto Administration into a fix. In contrast to the enthusiasm of the LDP, the package might presage a state of political and economic distress.

Tax System Enthusiasm Wasted

Proposals pertaining to a tax system reform package (to be mapped out at the year's end) have been included in the package without coordination with the government or the LDP Tax System Research Council. Since they reflect requests made by each panel under the Policy Affairs Research Council as is, the package's contents do not hold together. Reflecting such circumstances, expressions such as "will make efforts" or "will consider" had to be used. The LDP's enthusiasm reported at the early stage of the package-drafting process, such as that "we want to at least come up with a direction, even if reduction rates are not included" (senior LDP member), has apparently produced no fruit. Another

problem is that the proposals are all related to tax cuts, reflecting the pump-priming nature of the package. For instance, the package sought "efforts for a sweeping reduction of" the corporate tax, but it did not mention any measures on funding resources that would finance the proposed tax cuts, such as expansion of the taxation base through the scrapping of reserves and provisions. For that reason, the response of the Ministry of Finance
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(MOF) has been severe, with one senior Tax Bureau official remarking, "Even rough calculations on cuts in the land-value tax, the securities transactions tax and taxation on land transfer profits come to 1 trillion yen. We are doubtful about the package's consistency with the fiscal reconstruction scheme."

In the meantime, as to education and child-rearing tax breaks, which are to become the centerpiece of the policy tax cut, the scope of income tax cuts alone is bound to exceed 200 billion yen if they are implemented as the LDP's education panel requested. MOF objects to the proposal. However, the facts that this proposal was made by Deputy Secretary General Hiromu Nonaka and that senior executives of the ruling camp are positive about such cuts tell us that a zero-reply will not be acceptable.

(Haruyuki Aikawa)

DeregulationAll Proposals Are Already on Menu

The information and communications area is featured as the pillar of deregulation, but when it comes to the contents of the proposals, there is nothing new about them. For instance, the package calls for frontloading the introduction of ground digital broadcasting, but the Telecommunications Advisory Panel in its June recommendations already proposed speeding up the "start of such broadcasting in a time-frame between 2000 to 2005," as laid out in the interim report compiled last year to "before

the year 2000." MPT has already started preparations for that. The package adopts the same wording as that used in the recommendations.

The only proposal that is more substantive than the previous one is the adoption in principle of a notification system for telecommunications rates within the next fiscal year by speeding up the timetable. A proposal for scrapping the KDD Law has been made for the first time, but with MPT indicating reluctance to accept the idea, whether it can be realized is unclear.

In the meantime, "speeding up and simplifying procedures for smooth diversion of farmland" is also already incorporated in the re-revision of the government-sponsored deregulation promotion plan adopted by the Cabinet. Under the present Agricultural Land Law, authority to grant approval for diversion of farmland with area below 2 hectares is invested to prefectural governors and that for farmland with an area over 2 hectares to the Agriculture, Forestry and Fisheries (MAFF) Minister. In the revision expected to take place in March, authority to grant approval for diversion of farmland with area below 4 hectares is expected to be "shifted" to the hands of prefectural governors. However, even if the authority is "shifted" to prefectural governors, there will be no change in the fact that conditions for granting

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such approval are under the strict control of MAFF.

(Chiei Ito, Masahiro Wakashima)

Land Measures to Spark Demand Fall Short of Substance

As a feature, the proposed land-liquidity measures focus on sparking demand, based on reflection that conventional supply-based measures have not produced any effect. However, the proposals are by and large dependent on an uncertain tax system reform package. In addition, measures designed to

spur demand for land fall short of substance. A general evaluation of the proposal seems to be "a step forward but not sufficient enough" (Hideki Yoshikawa, Managing Director of Nippon Credit Bank Research Center).

On the land-related tax system front, the package calls for the scrapping or freezing of the land-value tax to reduce tax burdens levied on land ownership and sales of land, but there is no mention of a reduction of the real estate acquisition tax. Managing Director Yoshikawa says, "Tax burden in Tokyo's business quarters is large; the acquisition tax is as high as about 2.5 percent of market prices. Unless a revision is made to the acquisition tax, it would be difficult to dig out demand." Demand for lightening the land acquisition tax is also strong in terms of promoting the securitization of real estate.

Those who bought homes during the economic bubble years are unable to trade up their residential property, strapped with latent losses caused by the fall in land prices. The situation is blocking a surge in demand for housing. The package proposes expanding the term of the application of a system of subtracting losses incurred from the sales of such housing from taxable income from the "present one year only" to "transferable for perennial years." However, whereas the wording "efforts will be made" was used for revisions of other tax systems, the receded wording "consideration will be given" is adopted in this case.

(Hideaki Nakamura)

Small to Medium-sized Businesses Shortage of Operating Expenses

Measures for small and medium-sized businesses focus on financial measures and the revitalization of downtown shopping areas. On the financial front, the package advocates consolidation of a system that meets demand for operating expenses, using loans funded by the fiscal investment and loans program (FILP) to be extended by government-affiliated financial institutions.

There is, however, mismatch with actual requests from medium and small-size firms. What is needed is mainly funds for short-term operations. Needs
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for FILP funds, which are advantageous for capital investment for its long-term fixed interest rates, are low.

In the meantime, as a measure to revitalize downtown shopping areas, where business is pronouncedly sinking, the package proposes consolidating commercial facilities, roads and parking lots, by improving the subsidies system and the loan system, so that customer traffic can be brought back to the areas. Eleven ministries and agencies have already included allocations for such measures in their general-account budget requests for the next fiscal year. MOF is now proceeding with screening of such requests.

(Makoto Imazawa)

(3) Search for a New Order in the Securities Market -- Part (2): Options for Investors; Attraction of "Information" from Foreign Firms

NIHON KEIZAI (Page 1) (Full) October 5, 1997

Cline-Otto-Benson (TN: phonetic), an English investment consultant firm, decided not to include three of the Japanese leading securities houses, excluding Nomura Securities Co., on the list of its major trustees securities firms, which was renewed on October 1. The company renews the list every three month. Daiwa Securities Co., and Nikko Securities Co., were not designated as commissioned firms in September and before, but regarding Yamaichi Securities Co., it also decided to suspend giving orders for the time being, bearing in mind the spreading payoff scandal involving sokaiya corporate racketeers. The names of American companies, such as Merrill Lynch and Morgan Stanley, rank high.

Pressure from Overseas Pension Funds

Cline-Otto-Benson, which has overseas pension funds as its major clients, rates securities houses based on the following three factors: (1) Capability to provide information; (2) ability to make transactions; and (3) other services. Based on the market, the company determines the allocation of shares to commissioned companies and places orders, focusing on the top ten, reflecting customers'

pressure on it to avoid any ambiguity.

In response to Nomura's confession this March that it had conducted illegal transactions, it was Nomura Investment Consultant (now, Nomura Asset Management Investment Trust), its family company, which first suspended transactions with Nomura out of the fear of losing jobs from pension funds in the U.S., which is strict about illegal activities.

The major players in the stock market have been overseas pension funds and investment trusts after the burst of the bubble economy. Purchases of Japanese stocks by foreign investors during a
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period 1991 through September 1997 totaled 22,500 billion yen. Their total share in trading this year is also expected to reach the 30 percent level for the first time. Foreign investors, which have prepared such definite measuring rods as the rate of equity (ROE), have begun to command influence in setting Japanese stock prices and operating corporate management. They also have served as a trigger to alter the diagram of forces in the securities industry.

Merrill Lynch is in third place, followed by Morgan Stanley --. Foreign securities houses ranked higher than Nomura and Yamaichi, which have lost their customers due to the series of scandals, on the list of stock transaction shares on the Tokyo Stock Exchange Market in August.

Farewell to Tight Web of Relations

With the Big Four securities firms keeping a low profile, Japanese institutional investors as well have increased dealings with foreign securities firms. Foreign brokerages, having influential analysts efficient enough to respond to the expectations of institutional investors, are "superior in quickly obtaining and processing information" (Shigemi Nonaka, managing director for investment consultant at Sakura Investment Trust).

They also have the capability to deal in different stocks in a package under an advanced system.

Executives from influential corporations, including Sony and Advantest, gave briefings to about 300 dealers on management strategies. This briefing was sponsored by Solomon & Brothers, a U.S.-based securities firm. Many who participated praised it, one remarking, "Now that the Big Four are unable to take action, these bits of information are helpful."

Drives are gearing up among institutional investors, who face keen competition, to bid farewell to their long-standing ties to the Big Four. The Pension Fund Association decided to request the investment advisor companies as its commissioned agencies to report on security firm-specific order-placement shares every three months, starting this year.

Against the backdrop of foreign firms going ahead full steam, the Big Four now face severe conditions. They have been trying to put the scandals behind them, and now Nomura, at last, has begun to take the offensive in preparation for the Big Bang reform of the financial system.

Weight on Asset Management

"Is that kind of management really acceptable? Do you care whether we go into the red?" Such questions were fired by branch managers on September 19 at President Junichiro Ujiie during a managers' conference when he announced the new
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approach of focusing on the balance of customers' assets, instead of profits.

President Ujiie explained that the company aims to "place emphasis not on underwriting services but on asset-management services." This stems from the judgment that as long as the company continues to do business focusing on underwriting commissions,

it will continue to shrink in the future in the midst of moves for liberalization speeding up. The company is willing to give priority to improving its business foundation for the future even though it has seen a decline in profits over the past year or two.

The initiative in the securities market has shifted from securities firms to investors. Heated competition for underwriting commissions while making light of profits to investors resulted in distorting the market and eventually prompting individuals to distancing themselves from the stock market. The focus of competition in the securities community is shifting to the capability to provide information and trading ability. As long as the Big Four cling to competition to increase market share and to the proclivity of relying on stock prices, there will be no room left for them to survive.

(4) Editorial: Don't Let the Futenma Reversion Drift Away

YOMIURI (Page 3) (Full) October 27, 1997

Once more there is an atmosphere of a kind of murkiness over the planned construction of an alternative sea-based heliport, which was the premise for the agreed reversion of the U.S. Forces' Futenma Air Station site in Okinawa.

The reason is that the city of Nago, a candidate locality where the sea-based heliport is planned for construction, is going to hold a referendum next January on the propriety of relocating the base to its locality. A local community's referendum should focus on issues that can be settled by its residents alone, and it is inappropriate to hold local plebiscites on national security or any other issue that may affect the nation or the general public.

The outcome of such a referendum will have no legal binding force. Yet the Japanese and U.S. governments now have no choice but to postpone their schedule of preparing a heliport construction implementational plan for December until some time after the vote.

Depending on the referendum's results, however, the mayor of Nago City, who is now leaning toward approval of the construction plan, may be urged to change his course of action. This is a serious situation.

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Such, of course, would delay the intergovernmental work of making a construction implementational plan. Moreover, if it becomes difficult at that point to construct the heliport, the planned reversion itself of the Futenma airfield, now a symbol in the task of realigning and reducing the U.S. military bases there, would be up in the air.

Such a situation will substantially upset the base realignment and reduction plan as well, and it will also lead to putting off a settlement of the Okinawa problem. Japan-U.S. relations also would be seriously affected.

All those central, prefectural, and municipal government officials should become well aware of the weighty meaning of the heliport issue, and we want them to continue their efforts for construction.

At this point, Governor Ota's role is particularly important.

When people in Okinawa Prefecture cried out for the necessity of realigning and scaling down the U.S. military bases there, Governor Ota strongly insisted on having the Futenma airfield returned. In response, Prime Minister Hashimoto held political negotiations directly with the U.S. side and agreed in April last year on "overall reversion within 5-7 years."

In view of such circumstances as well, it is the governor's responsibility to prepare a better environment at his own initiative for Futenma's smooth return.

However, it is regrettable that the governor does not seem inclined to take positive action to persuade the local community.

If the governor really hopes for the Futenma airfield's reversion, he should seek local cooperation by directly explaining to Nago City and its local residents that it is indispensable to

construct an offshore heliport as an alternative facility.

Another task on the Okinawa problem is to work out a package of local economic promotional measures featuring deregulation. This also has been substantially falling behind schedule because there has been no progress in coordination involving the prefectural government, prefectural assembly, local economic circles, and other local entities concerned. Okinawa Prefecture, therefore, has been unable to make its own unified proposal to the central government.

Consequently, the central government also has made no progress in its work of revising relevant laws, with no prospects being obtained at present for introducing a bill to the Diet.

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The prefecture's lieutenant governor, Masanori Yoshimoto, used to play the role of a coordinator, but his reappointment was voted down by the prefectural assembly. The aftermath of that is also a matter of concern.

In this situation as well, the governor is required to display his leadership. On this occasion, we want the governor himself to stay in the forefront and do his utmost to work out a package of promotional measures.

The prefectural assembly also should cooperate beyond factional expectations and interests. Each of the political parties in the center also must not forget that they need to continue their efforts for a solution to the Okinawa problem, instead of following the line of "once on shore, we pray no more."

(5) Japan-U.S. Port Talks Reach Agreement in General; Next "Burden" Is Domestic Coordination; Labor-Management Negotiations Unpredictable; Japan's Harbor Transport Costs Exorbitant;

Complicated Port Entry/Departure Procedures;
Handling of Container Ships Stagnant, Ushering in
Decline in Competitive Edge

MAINICHI (Page 7) (Exerpts) October 19, 1997

Harbor transport-related business costs in Japan are in the highest class among industrialized nations due to its "prior consultation system" and harmful effects of the vertically fragmented system of administration. For this reason, the handling of container ships at major domestic ports is stagnant. The international competitive edge of Japan's ports and harbors is declining.

According to the "Present Situation of Japanese Maritime Industry" issued by the Ministry of Transport (MOT), port transport service rates, such as port-entry and cargo handling charges, are about twice as high as the level of Pusan in the Republic of Korea. Container-ship handling at Kobe Port is hovering at the almost same level as ten years ago, while such business in the ports of Singapore and Hong Kong has risen almost 10-fold each.

Labor unions are resentful, "Cargo handling charges are not the cause of the stagnation. The problem lies in port-entry charges and the way that the piers, which have been constructed with enormous state funds, are being operated." But it is obvious that the "prior consultation system" is contributing to the rise in cargo handling costs.

In addition, vertically-fragmented bureaucratic organization necessitates submission of customs clearance documents to several government offices, such as entry documents having to be submitted to the Justice Ministry. There is an urgent need for speeding up applications by allowing fax submissions or for the standardization of items to

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be mentioned.

Integrated port service administration covering a

larger region is also needed. Construction of ports and harbor facilities that disregard supply-demand relations has fueled the current high-cost structure. MOT intends to consolidate the Port of Tokyo and several others into international hub ports. It will aim at improving them to match ports in Hong Kong and Singapore by securing 14 container terminals with a depth of 15 meters by the year 2000.

(Yasushi Kumagai)

(6) New Century for Japan, U.S., China: Jiang Zemin's Visit to the U.S.; Practical Engagement; U.S., China Both Groping for Ways to Stabilize the Base of Their Ties

ASAHI (Page 1) (Full) October 26, 1997

There is written the following in an American diplomatic document that goes back to the cold-war period when the United States still had no contacts with China. According to the document, President Kennedy said this to Prime Minister Hayato Ikeda during Ikeda's visit to the U.S. in June 1961: "The Soviet Union knows well the strength of the free world. It is accordingly less eager to make a move, even slightly, that might lead to a nuclear war. It is much less inclined to do so than China. In contrast, China is more adversarial."

How much did the U.S. grasp the true intentions of China? (Then) Secretary of State Rusk complained: "Unfortunately, sure information telling us what the top leaders in Beijing think and say is not available to us."

Tiananmen Square Incident Still Weighs Heavy in (American) Memories

Twenty-five years have passed since Nixon's trip to China and 18 years since the Carter Administration normalized diplomatic ties with China. On the eve of the visit to the U.S. by China's President Jiang Zemin, the Clinton Administration announced that the purpose of the summit meeting would be to "stabilize the foundation of bilateral ties looking toward the 21st century" (Assistant Secretary Roth).

This remark is taken as honestly acknowledging that in recent years, the U.S. has seen its relationship with China as being unstable.

After diplomatic normalization, the U.S. and China appeared "lovers who had reconciled with each other," but their relationship later abruptly changed for the worse. The trigger, needless to

say, was the Tiananmen Incident in June 1989. Even now what comes to many Americans' minds when they hear "China" are reportedly the flags calling for UNCLAS SECTION 13 OF 14 TOKYO 009360

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democratization flying in the square, the gunfire, and overbearing moves of tanks.

Former assistant secretary of defense Freeman, who has been directly or indirectly engaged in U.S.-China relations since he accompanied President Nixon to China as an interpreter, analyzes that "overcoming this image" would create the base needed to stabilize bilateral ties.

However, overcoming this matter will not be an easy task. That is because President Clinton himself emerged in the presidential race in 1992 by lashing out at the Bush administration for a post-Tiananmen stance toward China that was "too soft." Central to Clinton's diplomatic pledges is to pressure China under the banner of "human rights" and "democratization."

But once he realized after assuming the presidential office that such an approach would produce less fruit, he took back his promise to make "improvement in the state of human rights" (in China) a condition for the most-favored-nation treatment. As a result he has come under fire at U.S. Congressional hearings every year.

U.S.-China ties, which in the wake of the meltdown of the former Soviet Union lost importance, have been adrift. On the way to their current destination, problems were encountered: whether to allow Taiwan President Li Teng-hui to enter the U.S. in June 1995; China's missile-firing exercises timed to coincide with the Taiwanese presidential election, and then the dispatch of a U.S. aircraft-carrier (to the Taiwan Strait).

President Jiang's visit to the U.S., followed by President Clinton's return visit set for next spring have both being agreed to. Both countries

now realize letting bilateral ties drift is dangerous.

"Threat" in Place of Japan

During over the past two years, President Clinton in his diplomatic approaches have devoted most of his energies to bringing peace to Bosnia-Herzegovina and the eastward expansion of the North Atlantic Treaty Organization (NATO). In the Congress, meanwhile, a tendency has been gaining strength to take the lead in managing China policy.

In the backdrop of this move lies the "China-as-threat argument," which became widespread all of sudden this summer when Hong Kong was to be reverted to mainland China.

China, which has yet to shake off the aftereffects of the Tiananmen Incident, may rise as a superpower surpassing the U.S. in the next century. But this hypothesis makes the U.S. unhappy for it always feels uneasy if it cannot make sure it is "the
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number one in the world."

The U.S., which feels at ease only if it has "an enemy" somewhere else, is now creating a new "threat" in place of the "Japan-as-threat argument" that has lost its luster.

A wide range of people from the left to the right of the political spectrum constitute the "China-bashing" league. Among them are human rights groups, religious organizations opposing birth control and abortion, labor unions discontent with trade problems and military experts. All these have rocked China diplomacy regarding the single issue.

In the Congress, numbers of China-related bills are waiting to go on stage, beginning with a bill to install inspectors for monitoring human rights in

American diplomatic legations in China.

On the other hand, there are forces trying to "contain China-bashing." These are major firms that do not want to see the Chinese market being more friendly to other countries instead of the U.S., should China become angry at the U.S. The aviation industry and the nuclear power industry, by mobilizing even their subsidiaries, are continuing to petition the Congress not to irritate China.

Attempt to Guide China in "Right Direction"

Although until recently being caught in between these two moves, now President Clinton is about to rise to the occasion at last. His speech on China policy, delivered on the 24th, manifested his intention to do so.

But the question is whether his administration that is prone to easily adjust itself to fit the trends of public opinion and of the Congress, can truly build a good relationship with China that will not be affected by particular issues.

What is called "practical engagement" apparently implies an intention to "guide China in the good direction" so that China will not behave against the long-term interests of the U.S.

The problem is, however, if such a policy line goes too far and creates an "adversarial" China, it will create trouble for the entire world.

(Tatsuro Iwamura of the American Bureau)

LAFLEUR

SECT: SECTION: 01 OF 14

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
006. cable	Re: Sea-Based Facility (5 pages)	10/27/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[10/22/1997 - 10/30/1997]

2016-0420-F
sb1912

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]
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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]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
007. cable	Re: Specifications for Futenma Relocation (5 pages)	10/27/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[10/22/1997 - 10/30/1997]

2016-0420-F
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Cable

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RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RUEKJCS/SECDEF WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS OCTOBER 28

TOP HEADLINES:

TEXT: UNCLAS SECTION 01 OF 07 TOKYO 009378

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 OCTOBER 28

TOP HEADLINES:

ASAHI: GOVERNMENT TO PROVIDE INCOME COMPENSATION TO
FARMERS WHO REDUCE RICE PADDIES; NEW FUND TO BE CREATED
WITH GOVERNMENT SUBSIDIES AND FARMERS' DISBURSEMENTS;
AGRICULTURAL MINISTRY'S POLICY LINE; ESTABLISHMENT NEXT
YEAR (TRANSLATION BELOW)

NIHON KEIZAI: JAPANESE-AFFILIATED FIRMS IN ASIA COMMENCE
FUND-PROCUREMENT BY MEANS OF CURRENCIES OTHER THAN
DOLLARS; TO AVOID EXCHANGE-RATE MARGIN LOSSES

TOKYO SHIMBUN: TO QUESTION FORMER NIKKO SECURITIES
PRESIDENT AND OTHER EXECUTIVES ALL TOGETHER; ON CHARGE OF
HAVING APPROVED PAYOFFS; TWO FORMER VICE PRESIDENTS
INCLUDED

MAINICHI: SDF AIRCRAFT'S TRIAL FLIGHTS; AGENCY FINANCED
BY JDA-LINKED FOUNDATION "MONOPOLIZES" CASUALTY INSURANCE
CONTRACTS; 30 MILLION YEN EARNED AS COMMISSIONS ANNUALLY
(TRANSLATION BELOW)

YOMIURI: "UNDERGROUND BANK" ACTIVITIES; PHILIPPINES
GOVERNMENT-AFFILIATED BANK'S INVOLVEMENT; 6 BILLION YEN
ANNUALLY REMITTED; TOKYO LIAISON OFFICE CHARGED WITH
VIOLATION OF BANK LAW (ARTICLE IN ENGLISH ED.)

SANKEI: TO CONSOLIDATE LOCAL GOVERNMENTS' LIAISON OFFICES
REGARDING NATIONAL LAND MINISTRY AND NATIONAL LAND
PRESERVATION MINISTRY, BOTH OF WHICH ARE PLANNED TO
FORMED; INTEGRATION BY BLOC; ADMINISTRATIVE REFORM
PANEL'S DRAFT PLAN; INTEGRATION BY KINDS OF PUBLIC WORKS
PROJECTS

OZAWA APOLOGIZES FOR SHINSHINTO DEFEAT IN MIYAGI
GUBERNATORIAL ELECTION (NIHON KEIZAI - PAGE 2)

SHINSHINTO (NEW FRONTIER PARTY) PRESIDENT ICHIRO OZAWA,
AT THE FIVE-OFFICER MEETING HELD YESTERDAY AFTERNOON,
FOCUSED ON THE MIYAGI GUBERNATORIAL ELECTION, IN WHICH
THE CANDIDATE RECOMMENDED BY HIS PARTY WAS DEFEATED. HE
APOLOGIZED: "I AS CHAIRMAN OF OUR PARTY'S PREFECTURAL
CHAPTER ASKED YOU TO ROOT FOR OUR CANDIDATE BUT I FAILED
TO MEET YOUR EXPECTATIONS. I APOLOGIZE TO YOU FOR OUR
DEFEAT BY A WIDE MARGIN." BUT THE ANTI-OZAWA GROUP THAT
INCLUDES PUBLIC INFORMATION AND PLANNING COMMITTEE
CHAIRMAN MICHIIHIKO KANO ARE TOUGHENING THEIR STANCE
CALLING FOR A SHOWDOWN, FOR EXAMPLE, BY HOLDING A
SOLIDARITY MEETING IN TOKYO LAST NIGHT. CRITICISM OF
OZAWA IS LIKELY TO ESCALATE EVEN MORE IF THE EXECUTIVE IS
UNABLE TO BACK A CANDIDATE IN THE UPPER-HOUSE BY-ELECTION
IN THE MIYAGI CONSTITUENCY THAT IS TO BE ANNOUNCED ON THE
30TH.

AT THE FIVE-OFFICER MEETING, OZAWA ANALYZED THE RESULTS
OF THE GUBERNATORIAL ELECTION, GIVING SUCH REASONS: 1)
THE TIME FOR PREPARATION WAS INSUFFICIENT; AND 2) THE
WIDE MARGIN WAS BROUGHT ABOUT IN PART BY THE HIGH
TURNOUT. HE SAID THAT IN HIS VIEW: "IF WE HADN'T RUN
OUR CANDIDATE IN THE GUBERNATORIAL ELECTION, WE'D HAVE
GONE TO THE WALL. GIVING THOUGHT TO THE 300,000 VOTES
CAST FOR OUR CANDIDATE, I THINK WE HAD A GOOD FIGHT AND
THAT WE GENERATED SOME RESULTS IN OUR OWN WAY."

REGARDING THE UPPER-HOUSE BY-ELECTION IN THE MIYAGI

CONSTITUENCY, HE STATED: "MY PET THEORY IS THAT LOSING A GAME BY DEFAULT IS NOT ACCEPTABLE IN NATIONAL ELECTIONS. I WANT TO DECIDE ON OUR CANDIDATE IN A DAY OR TWO."

FOLLOWING OZAWA, SECRETARY GENERAL TAKEO NISHIOKA SUMMED UP THE ELECTION RESULTS AND STATED THE POLICY LINE OF REPORTING THEM TO THE GENERAL COUNCIL. CHIKAGE OOGI, UNCLAS SECTION 02 OF 07 TOKYO 009378

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 OCTOBER 28

CHAIRMAN OF THE GENERAL ASSEMBLY OF DIET MEMBERS OF THE UPPER HOUSE DENIED AN ARGUMENT PURSUING THE RESPONSIBILITY OF THE PARTY PRESIDENT. NO VOICE CAME FROM GENERAL COUNCIL CHAIRMAN TAKENORI KANZAKI, WHO IS CRITICAL OF OZAWA.

AT THE SECRETARY GENERAL OFFICE SESSION HELD PRIOR TO THE ABOVE MEETING, KANO SUGGESTED: "I THINK IT NECESSARY TO MAKE A REVIEW OF THE GUBERNATORIAL ELECTION IN SOME WAY." SNAPPING AT HIM, ELECTION COUNTERMEASURES BUREAU DIRECTOR TOSHIHIRO NIKAI, AN AIDE TO OZAWA, ARGUED, "WHAT DO YOU MEAN BY A REVIEW?" THERE WAS A CONFRONTATION BETWEEN HIM AND KANO, WHO TAKES THE VIEW THAT "IN ORDER TO FIGHT WELL IN THE UPCOMING BY-ELECTION AND NEXT SUMMER'S UPPER-HOUSE ELECTION, WE IN THE PARTY NEED TO TAKE A SECOND LOOK."

THE MEETING OF THE ANTI-OZAWA GROUP WAS ATTENDED BY 11 MEMBERS WHO INCLUDED KANO, TATSUO OZAWA, MEGUMU SATO AND HAJIME ISHII. SHIGEFUMI MATSUZAWA SUGGESTED RESIGNATION OF THE PARTY HEAD, ARGUING, "IT IS NOT POSSIBLE TO FACILITATE REORGANIZATION OF OPPOSITION PARTIES UNDER THE CURRENT PARTY HEAD." BUT ALL THE MEMBERS AGREED TO WAIT AND SEE HOW THE PARTY WILL COPE WITH THE UPPER-HOUSE MIYAGI BY-ELECTION.

KANO PLANS TO HOLD A SESSION OF HIS STUDY GROUP, "FORUM TO PROMOTE POLITICAL REFORM AND PARTY POLITICS," ON THE 31ST, AFTER A HIATUS OF NEARLY FIVE MONTHS. HE WILL LIKELY TRY TO RALLY MORE MEMBERS TO HIS SIDE, ENVISIONING THE PARTY PRESIDENTIAL RACE IN DECEMBER. SHINSHINTO'S SHIZUOKA PREFECTURAL CHAPTER CHAIRMAN AND CONCURRENTLY PREFECTURAL ASSEMBLY MEMBER TAKASHI UCHIYAMA YESTERDAY SENT THE PARTY HEADQUARTERS A LETTER RECOMMENDING RESIGNATION OF THE PARTY HEAD, THE SECRETARY GENERAL AND THE ELECTION COUNTERMEASURES BUREAU DIRECTOR.

PRIME MINISTER WORRIED ABOUT INSTABILITY IN THE TOKYO STOCK EXCHANGE (NIHON KEIZAI - PAGE 2)

SEEING THE NIKKEI STOCK AVERAGE GO DOWN BELOW THE LEVEL OF 17,000 YEN TEMPORARILY AT THE TOKYO STOCK EXCHANGE YESTERDAY MORNING, PRIME MINISTER RYUTARO HASHIMOTO CALLED TO THE PRIME MINISTER'S OFFICIAL RESIDENCE DAIWA RESEARCH CHIEF DIRECTOR JUNZO MATOBA AND VICE-MINISTER OF FINANCE FOR INTERNATIONAL AFFAIRS SAKAKIBARA AND CONSULTED WITH THEM HOW TO COPE WITH THIS SITUATION.

RESPONDING TO A REQUEST BY THE PRIME MINISTER SAYING, "I WOULD LIKE YOU TO EXPLAIN THE MECHANISM OF STOCK MARKETS," CHIEF DIRECTOR MATOBA ANALYZED "WHY STOCK PRICES DROP," ILLUSTRATING MOVEMENTS OF STOCK MARKETS OF THE WORLD, SUCH AS AUSTRALIA, TOKYO AND HONG KONG. FOLLOWING HIM, VICE-MINISTER OF FINANCE SAKAKIBARA EXPLAINED THE RECENT TRENDS ON THE HONG KONG MARKET. TOUCHING ON MOVES OF THE TOKYO MARKET, THE PRIME MINISTER POINTED OUT, "IT HAS BEEN AFFECTED BY THE HONG KONG MARKET AS I EXPECTED." HE APPEARED NERVOUS ABOUT THE TREND IN THE HONG KONG MARKET.

WHEN IT COMES TO COUNTERMEASURES TO STOP STOCK PRICES FROM GOING DOWN, A SET OF PUMP-PRIMING MEASURES NOW UNDER STUDY IN THE GOVERNMENT IS DEVOID OF ANY CLINCHING CARDS BECAUSE IT IS BASED ON THE PERSPECTIVE OF PLACING EMPHASIS ON FISCAL STRUCTURAL REFORM, CONSEQUENTLY GIVING THE IMPRESSION OF BEING UNABLE TO FIND ANY EFFECTIVE MOVE. UNEASY DAYS FOR THE PRIME MINISTER TO WORRY ABOUT UNSTABLE STOCK PRICES ARE LIKELY TO CONTINUE FOR SOME TIME.

TROUBLE OVER TAX REFORM LIKELY AT RULING PARTIES CONFAB TODAY (NIHON KEIZAI - PAGE 2)

UNCLAS SECTION 03 OF 07 TOKYO 009378

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 OCTOBER 28

THE GOVERNMENT IS NOW CAUGHT BETWEEN A ROCK AND A HARD PLACE IN ITS TAX REFORM POLICY FOR FISCAL 1998: BETWEEN ONGOING FISCAL STRUCTURAL REFORM AND A CALL FOR TAX CUTS TO BOLSTER THE SAGGING ECONOMY. THE RULING CAMP OF THE LIBERAL DEMOCRATIC PARTY (LDP), THE SOCIAL DEMOCRATIC

PARTY (SDP) AND THE SAKIGAKE PARTY WILL START NEGOTIATIONS TODAY ON A POSSIBLE POLICY TAX CUT, BUT THE THREE PARTIES ARE WIDE APART ON THIS ISSUE. IN THE LDP, THE EXECUTIVE HAS REPEATEDLY CALLED ON THE TAX SYSTEM RESEARCH COUNCIL (TSRC) (CHAIRMAN BY YOSHIRO HAYASHI) TO CONSIDER REAL CORPORATE TAX CUTS AND A FREEZE ON THE LAND-VALUE TAX. HOWEVER, THE TSRC CONTINUES TO STRONGLY RESIST SUCH REQUESTS. THE LDP EXECUTIVE IS LIKELY TO UNAVOIDABLY FIND COORDINATION DIFFICULT, ENTANGLED IN TWO CONFRONTATIONS: AMONG THE LDP, SDP AND SAKIGAKE AND WITHIN THE LDP ITSELF.

-- FURTHER COMPLICATIONS EXPECTED

POLICY AFFAIR RESEARCH COUNCIL CHAIRMAN TAKU YAMASAKI AND SEVERAL OTHER LDP MEMBERS HAD INTENDED TO MAKE CORPORATE TAX CUTS IN REAL TERMS, THE SCRAPPING OF THE SECURITIES TRANSACTIONS TAX AND A CHILD-REARING TAX FEATURES OF THE EMERGENCY ECONOMIC STIMULUS PACKAGE, WHICH THE LDP RELEASED ON THE 21ST. HOWEVER, WITH THE TSRC INSISTING, "IT IS UNACCEPTABLE TO INCLUDE ITEMS THAT HAVE NOT GONE THROUGH OUR DISCUSSION," ALL THE ITEMS THEY HAD IN MIND WERE TREATED AS NO MORE THAN EFFORT CLAUSES. DRAWING CONCLUSIONS HAS BEEN ENTRUSTED TO THE TSRC. AS TO A POLICY TAX CUT, SINCE THE SDP AND THE SAKIGAKE ARE ALSO CALLING FOR SUCH, THE THREE PARTIES HAVE ESTABLISHED AN ECONOMIC COUNTERMEASURES DISCUSSION PANEL. THE FIRST MEETING IS SCHEDULED TO BE HELD ON THE 28TH.

NEGOTIATIONS BY THE THREE-PARTY DISCUSSION PANEL WILL FOCUS ON A POSSIBILITY OF A POLICY CUT IN SUCH AREAS AS HOUSING LOANS, CHILD-REARING AND EDUCATION EXPENSES. THE LDP EXECUTIVE VIEWS THAT THE REINTRODUCTION OF 2-TRILLION-YEN-SCALE SPECIAL INCOME TAX CUTS AS REQUESTED BY THE SDP WOULD BE DIFFICULT; ITS REAL FEELING IS THAT "WE WANT THE SDP TO BE CONVINCED BY A POLICY TAX CUT." AS A SCALE OF THE PROPOSED TAX CUTS, YAMASAKI ENVISAGES SOMEWHERE AROUND 300 BILLION YEN, WHICH INDICATES HIS DESIRE TO TIDE OVER THE COMPILATION OF THE FY1998 BUDGET, BY MAINTAINING THE COALITION FRAMEWORK THROUGH THE MERGING OF THE POSITIONS OF THE THREE PARTIES ON THIS ISSUE.

HOWEVER, THE SDP IS STICKING TO ITS CALL FOR SPECIAL TAX BREAKS. IN ADDITION, IT IS GEARED UP TO INSIST ON AUGMENTING THE SIZE OF A POLICY TAX CUT, IF IT IS IMPLEMENTED AT ALL. AS IT STANDS, IT IS UNLIKELY THAT NEGOTIATIONS WILL GO SMOOTHLY. AS TO THE CORPORATE TAX AND THE LAND TAX SYSTEM, TOO, THERE IS A POSSIBILITY OF THE SDP PRESSING FOR "SPECIAL TAX CUTS INSTEAD OF TREATING COMPANIES PREFERENTIALLY WITH CORPORATE TAX CUTS IN REAL TERMS AND A FREEZE ON THE LAND-VALUE TAX." IF THE LDP GOES DEEP INTO NEGOTIATIONS WITH THE SDP ON THE TAX SYSTEM, IT MAY WORK TO COMPLICATE THE CONFRONTATION BETWEEN THE LDP EXECUTIVE AND THE TSRC.

-- FISCAL CRUNCH IMPEDING COORDINATION

IN THE LDP, SECRETARY GENERAL KATO IS UNDERSCORING THAT

REQUESTS FOR TAX BREAKS INCLUDED IN THE ECONOMIC STIMULUS PACKAGE ARE NOT MERE REQUEST ITEMS. HE SAYS, "I BELIEVE THAT THE TSRC WILL TACKLE THOSE REQUESTS IN A POSITIVE MANNER." YAMASAKI, TOO, HAS REPEATEDLY REQUESTED THE TSRC EITHER TO SCRAP OR FREEZE THE LAND-VALUE TAX THE ARGUMENT, SINCE "THE ISSUE WILL CLARIFY THE GOVERNMENT STANCE ON LAND LIQUIDITY." HE IS ALSO CALLING FOR FRONTLOADING THE WORK OF REVIEWING THE TAX SYSTEM, NOTING THAT HE WANTED TO COME UP WITH THE SECOND STEP OF .
UNCLAS SECTION 04 OF 07 TOKYO 009378

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 OCTOBER 28

ECONOMIC COUNTERMEASURES FEATURING TAX BREAKS IN LATE NOVEMBER.

HOWEVER, AS A USUAL PRACTICE, A DECISION ON A TAX REFORM PACKAGE IS MADE CONCURRENTLY WITH BUDGET COMPILATION, AFTER MONITORING THE OUTLOOK FOR TAX REVENUES, WHOSE ROUGH FIGURES ARE OUT AROUND THE END OF NOVEMBER. SOHEI MIYASHITA, PARTY TSRC SUB-COMMITTEE CHAIRMAN, IS RELUCTANT TO THE IDEA OF FRONTLOADING THE COMPILATION OF A TAX REFORM PACKAGE, INSISTING, "A DECISION ON A TAX SYSTEM REFORM OUTLINE WILL BE MADE IN MID-DECEMBER." SOME TSRC MEMBERS ARE PUTTING UP RESISTANCE TO THE REQUEST, ARGUING, "THE TAX SYSTEM SHOULD BE CONSIDERED IN THE FRAMEWORK OF STRUCTURAL REFORM. IT IS NOT LOGICAL FOR IT TO BE SUBORDINATED TO SHORT-TERM STOCK PRICE COUNTERMEASURES."

GOVERNMENT PLANS NEW FUND FOR INCOME SUPPORT OF FARMERS BUT MAY BECOME MORE PORKBARREL (ASAHI - TOP PLAY)

THE MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES (MAFF) DECIDED YESTERDAY TO ESTABLISH NEXT FISCAL YEAR A "FUND TO STABILIZE THE DEMAND AND MANAGEMENT OF RICE" WITH DISBURSEMENTS BY FARMERS AND GOVERNMENT'S SUBSIDIES AS PART OF ITS EFFORTS TO DRASTICALLY REVIEW ITS RICE POLICY. THE MOVE REFLECTS THE GLUT OF ABOUT 4 MILLION TONS OF RICE HELD IN GOVERNMENT STORAGE. THE MINISTRY WILL OFFER TO COMPENSATE FARMERS FOR THE REDUCED PORTION OF INCOME. SPECIFICALLY, IT WILL OFFER COMPENSATION MONEY TO COOPERATIVE FARMERS FOR FOLLOWING ITS RICE PADDY REDUCTION POLICY, ACCORDING TO REDUCED RICE-ACREAGE SCHEME, AND IT WILL SUPPLY A CERTAIN RATE OF THE DIFFERENCE WITH THE STANDARD PRICES CALCULATED FOR EACH

LOCAL BRANDS WHEN RICE PRICES PLUNGE.

-- MIGHT LEAD TO "PORKBARREL" COMPENSATION

(ANALYSIS)

MAFF'S APPROACH OF OFFERING INCOME COMPENSATION TO FARMERS REFLECTS THE MALFUNCTIONING OF THE RICE PRICING SYSTEM INTRODUCED BASED ON MARKET MECHANISMS.

UNPLANNED-PRODUCTION RICE (FORMER BLACK-MARKET RICE), THE DISTRIBUTION OF WHICH IS APPROVED UNDER THE NEW FOOD LAW, HAS BEEN IN HIGH DEMAND DUE TO ITS LESS EXPENSIVE PRICE. THIS TREND HAS RESULTED IN LEAVING UNSOLD VOLUNTARILY MARKETING RICE, FOR WHICH MANY REGULATIONS REMAIN IN PLACE, SUCH AS A RESTRICTIVE PRICE RANGE FOR BIDDING. AN ATTEMPT TO MAINTAIN RICE PRICES WOULD END UP INCREASING SALES OF UNPLANNED RICE. UNDER THIS CIRCUMSTANCE, MAFF HAD NO CHOICE BUT TO ADOPT A POLICY OF SUPPLYING A CERTAIN LEVEL OF INCOME IN COMPENSATION FOR HAVING FARMERS FACE MARKET COMPETITION IN AN ENVIRONMENT BASED ON MARKET PRINCIPLES.

IN ADDITION, THE MINISTRY WILL HAVE TO STRENGTHEN THE RICE PADDY REDUCTION POLICY IN ORDER TO REDUCE UNSOLD STOCKS DESPITE THE PRICES OF VOLUNTARILY MARKETING RICE PLUNGING OWING TO THE GROWING RICE GLUT. AFTER THOROUGH CONSIDERATION, MAFF HAS DECIDED TO ASK FARMERS TO VOLUNTARILY PARTICIPATE IN THE RICE PADDY REDUCTION POLICY, WITH THE PREFERENTIAL MEASURE OF OFFERING INCOME INDEMNITY.

HOWEVER, THIS POLICY MEASURE MIGHT LEAD TO PLACING ALL FARMERS, INCLUDING FULL-TIME AND ON-THE-SIDE FARMERS, UNDER THE SHELTER OF THE GOVERNMENT, AND MIGHT TURN INTO PORKBARREL-LIKE COMPENSATION, RESULTING IN CREATING A SIMILAR SITUATION TO THAT UNDER THE FORMER NOTORIOUS FOOD CONTROL LAW. THERE IS ALSO CONCERN THAT THIS POLICY COULD END UP BALLOONING FISCAL DISBURSEMENTS AS A RESULT

UNCLAS SECTION 05 OF 07 TOKYO 009378

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; IA WASHDC; SECDEF FOR JCS-J-5/JAPAN, OASD/ISA/EAR/JAPAN; TREASURY/OASIA/IMI; WHITE HOUSE; JUSTIC FOR STU CHEMTOB IN ANT-TRUST DIVISION; COMMERCE FOR JEAN GRIER IN GENERAL COUNCIL'S OFFICE, DAS; SCINCPAC/PA; CINCPAC FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRES HIGHLIGHTS OCTOBER 28

OF SLOW PROGRESS IN WEEDING OUT LESS COMPETITIVE FARMERS. IN ORDER TO MAKE UTMOST USE OF THE INCOME-SUBSIDY POLICY APPROACH, THE MINISTRY NEEDS TO INDICATE A STANCE OF

GIVING PRIORITY TO FOSTERING SELECTIVE LARGE-SCALE, FULL-TIME FARMERS.

LDP REQUESTING 200 BILLION YEN IN UR POLICY MEASURES TO HELP FARMERS (SANKEI - PAGE 2)

THE LIBERAL DEMOCRATIC PARTY YESTERDAY DECIDED TO SEEK FOR ALLOCATING 200 BILLION YEN IN A SUPPLEMENTARY BUDGET FOR FISCAL 1997 AS OUTLAYS FOR THE DOMESTIC PACKAGE OF MEASURES TO COPE WITH THE URUGUAY ROUND (UR) AGREEMENT, WHICH HAS BECOME A HEATED ISSUE BETWEEN THE GOVERNMENT AND RULING CAMP IN CONNECTION WITH FISCAL STRUCTURAL REFORM. THIS WAS REVEALED BY SOME RULING PARTIES' OFFICIALS.

THE LDP HAS ALREADY CONVEYED THIS POLICY DECISION TO THE SECRETARY GENERAL AND POLICY-MAKING OFFICIALS OF SAKIGAKE. FINANCE MINISTER HIROSHI MITSUZUKA AND OTHER OFFICIALS ON THE GOVERNMENT SIDE HAS INDICATED A CAUTIOUS STANCE TOWARD THE IDEA OF COMPILING A SUPPLEMENTARY BUDGET FOR OUTLAYS FOR UR COUNTERMEASURES. IN ADDITION, THE SOCIAL DEMOCRATIC PARTY AND SAKIGAKE HAVE REVEAL THAT THEY WOULD OPPOSE THE IDEA. THE GOVERNMENT AND RULING PARTIES WILL LIKELY TO FACE DIFFICULT COORDINATION.

GOVERNMENT LOOKING INTO SENDING OBSERVER TEAM TO NORTH KOREA TO CHECK FOOD CONDITIONS (SANKEI - PAGE 3)

THE GOVERNMENT STARTED YESTERDAY LOOKING INTO SENDING A GROUP OF EXPERTS TO FOLLOW UP WHETHER JAPAN'S EMERGENCY FOOD AID IS HELPING THE NORTH KOREAN PEOPLE AND TO CHECK THE PRESENT FOOD SITUATION THERE. SINCE THERE HAS EMERGED A CRITICAL VIEW THAT DISTRIBUTION OF AID FOOD IS UNCLEAR, AFTER HAVING DISCOVERED THE FACT THAT SUPPORT MATERIALS FROM THE UNITED STATES HAD NOT BEEN DISTRIBUTED TO THE NORTH KOREAN PEOPLE BUT USED BY THE MILITARY, A VIEW CALLING FOR "MONITORING" NORTH KOREAN FOOD DISTRIBUTION HAS EMERGED IN THE LIBERAL DEMOCRATIC PARTY'S (LDP) FOREIGN AFFAIRS DEPARTMENT AND OTHER PANELS.

ADMINISTRATIVE VICE FOREIGN MINISTER SHUNJI YANAI IN A PRESS BRIEFING YESTERDAY REMARKED: "WE HAVE ALWAYS TOLD NORTH KOREA THAT THE TRANSPARENCY OF DISTRIBUTION OF AID MATERIALS IS IMPORTANT." IN ADDITION, REFERRING TO THE FACT THAT RICE SUPPORT WORTH ABOUT 3.3 BILLION YEN WILL BE IMPLEMENTED AS EARLY AS DECEMBER THROUGH THE WORLD FOOD PROGRAM (WFP), HE COMMENTED: "IMPROVEMENT OF THE MONITORING SYSTEM IS NECESSARY." HE THEN INDICATED THAT JAPAN WOULD CONSIDER DISPATCHING A GROUP OF EXPERTS.

SUSPICIONS EXIST THAT NORTH KOREA IS DIVERTING INTERNATIONAL CONTRIBUTIONS TO ITS MILITARY. IN THE MIDDLE OF THIS MONTH, CANNED MEAT THAT AN AMERICAN PRIVATE-SECTOR ORGANIZATION HAD DONATED WAS DISCOVERED IN A NORTH KOREAN SUBMARINE SEIZED BY SOUTH KOREA AFTER INTRUDING INTO EAST SHORE OF SOUTH KOREA. THIS ADDED TO SUPPORT TO THE SUSPICION.

THE GOVERNMENT WILL THEREFORE LIKELY "DISPATCH THOSE WHO WILL MONITOR UNLOADING A SHIP AS WELL AS LOCAL SUPPLY STATIONS" (FOREIGN MINISTRY SOURCE). AT THE SAME TIME, THERE IS A GOOD POSSIBILITY THAT THE TEAM WILL SURVEY THE ACTUAL STATE OF FAMINE THERE AS WELL.

U.S., JAPAN AGREE ON TWO METHODS FOR CONSTRUCTION OF SEA-BASE HELIPORT IN OKINAWA (YOMIURI - PAGE 2)

THE JAPANESE AND AMERICAN GOVERNMENTS AS OF YESTERDAY
UNCLAS SECTION 06 OF 07 TOKYO 009378

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 OCTOBER 28

HAVE AGREED TO RULE OUT A SEMI-SUBMERGED METHOD OF CONSTRUCTION OF AN OFFSHORE HELIPORT AS AN ALTERNATIVE FACILITY TO ACCOMPANY THE REVERSION OF FUTENMA AIR STATION TO OKINAWA PREFECTURE. THIS IS ONE OF THE THREE METHODS RECOMMENDED LAST DECEMBER IN A REPORT OF THE SPECIAL ACTION COMMITTEE ON OKINAWA (SACO). THE METHODS ARE NOW NARROW DOWN TO A QUICK-INSTALLATION PLATFORM (QIP) AND A PONTOON METHOD.

AS EARLY AS NOVEMBER 4, THE GOVERNMENT WILL EXPLAIN THE OUTLINE OF THE HELIPORT PROPOSALS TO OKINAWA PREFECTURE AND NAGO CITY, MAKING SUCH DETAILS CLEAR AS THE TWO METHODS OF CONSTRUCTION AND THE IMPACT ON THE ENVIRONMENT.

THE ASSUMPTIONS ARE THAT THE QIP WOULD BE INSTALLED CLOSE TO THE BEACH AT CAMP SCHWAB AND THE PONTOON FACILITY WOULD BE CONSTRUCTED ON THE EDGE OF A REEF ABOUT A KILOMETER OFFSHORE. THE IDEA IS TO HAVE EVEN THE QIP SET UP MORE THAN 1.5 KILOMETERS DISTANCE FROM NEIGHBORING COMMUNITIES, AND THE GOVERNMENT PLANS IN THE OUTLINE BRIEFING THAT THEY HAVE TAKEN INTO CONSIDERATION THE NOISE FACTOR COMPARED WITH FUTENMA AND WILL INDICATE THAT "THERE IS ALMOST NO CAUSE TO WORRY ABOUT NOISE." EVEN REGARDING CORAL REEFS, THE GOVERNMENT IS STUDYING PROTECTIVE MEASURES TO MAINTAIN (PROPER) SUNLIGHT AND TRANSPLANTING (CORAL).

THE REASONS WHY THE SEMI-SUBMERGED FORMULA WAS RULED OUT INCLUDED: 1) COMPARED TO THE OTHER TWO, THE COSTS OF CONSTRUCTION AND OPERATION WERE TOO HIGH; 2) CONSTRUCTION

WOULD TAKE TOO LONG; AND 3) IT WOULD HAVE INSUFFICIENT STABILITY IN ITS OFFSHORE LOCATION.

SDP HEAD DOI IN OKINAWA CRITICIZES BASE MOVING
(TOKYO SHIMBUN - PAGE 3)

SOCIAL DEMOCRATIC PARTY (SDP) HEAD TAKAKO DOI APPEARED WITH GERMANY'S FORMER PRIME MINISTER SCHMIDT ON A PARTY-SPONSORED DISCUSSION PANEL AT A HOTEL IN NAHA YESTERDAY. OKINAWA GOVERNOR OTA OPENED THE DISCUSSION, WHICH CENTERED ON AN EXCHANGE OF VIEWS ON SUCH ISSUES AS U.S. BASES ON OKINAWA. SCHMIDT SAID IT HAD BEEN HIS LONG-CHERISHED DESIRE TO MEET OTA, AND THAT THIS WAS BROUGHT ABOUT BY THE INTERVENTION OF MS. DOI.

DOI DISCUSSED THE CONCEPT OF CONSTRUCTING AN ALTERNATIVE HELIPORT FACILITY THAT WAS PREMISED ON THE REVERSION OF FUTENMA AIR STATION. SHE CRITICIZED THE POSITION OF THE GOVERNMENT: "THE CENTRAL GOVERNMENT IS ENGAGING IN HORSETRADING, PREMISING OKINAWA'S COOPERATION ON THE TRANSFER (OF BASE FACILITIES) IN RETURN FOR ITS COOPERATION ON THE ECONOMIC DEVELOPMENT OF OKINAWA; THIS MAKES NO SENSE TO ME." ON THIS POINT, THE GOVERNOR SAID, "THE PROBLEM WE CANNOT RUN AWAY FROM IS HOW OKINAWA CAN MOVE AWAY FROM ITS RELIANCE ON A BASE ECONOMY."

GOVERNMENT TO NAME ENVOY TO OKINAWA
(TOKYO SHIMBUN - PAGE 3)

THE GOVERNMENT AT A VICE-MINISTERIAL MEETING YESTERDAY DECIDED TO APPOINT HIDEKI HARASHIMA TO BE ITS REPRESENTATIVE AS AMBASSADOR RESPONSIBLE FOR OKINAWAN AFFAIRS. THE APPOINTMENT WILL BE FORMALLY APPROVED AT A CABINET MEETING TODAY AND ANNOUNCED PUBLICLY.

JDAQS FOUNDATION HAD MONOPOLY ON INSURANCE FOR SDF TEST FLIGHTS (MAINICHI - TOP PLAY)

AN AGENT ESTABLISHED AT THE INVESTMENTS OF VARIOUS CORPORATIONS INCLUDING THE DEFENSE INDUSTRY SECURITY ASSOCIATION, AN INCORPORATED FOUNDATION (HEADQUARTERED IN UNCLAS SECTION 07 OF 07 TOKYO 009378

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 OCTOBER 28

TOKYO, REPRESENTED BY KAZUO FUJII, FORMERLY DIRECTOR

GENERAL OF THE DEFENSE FACILITIES ADMINISTRATION AGENCY), HAS TAKEN PART IN ALL CASUALTY INSURANCE CONTRACTS CONCLUDED BY COMPANIES UPON SELF-DEFENSE FORCE AIRCRAFT TEST FLIGHTS MADE AFTER THEIR PERIODIC INSPECTION AND REPAIR SERVICES, AND THE AGENT HAS YEARLY EARNED COMMISSIONS TOTALING APPROXIMATELY 30 MILLION YEN. THIS FACT BECAME KNOWN ON THE 27TH FROM THE MAINICHI SHIMBUN'S FINDINGS. ALL ON THE AGENT'S BOARD OF DIRECTORS ARE FORMER SENIOR OFFICIALS FROM THE JAPAN DEFENSE AGENCY, INCLUDING DISA MANAGING DIRECTOR KENICHI UENO, FORMER DEPUTY DIRECTOR GENERAL OF THE JDA CENTRAL PROCUREMENT OFFICE, AND ITS TWO EMPLOYEES ARE ALSO FORMER JDA OFFICIALS. THE AGENT IS NOW FOUND TO HAVE EDGED ALSO INTO CONTRACTS CONCLUDED BY DEFENSE-RELATED CORPORATIONS HAVING THEIR OWN AFFILIATED INSURANCE AGENTS. THE FACT HAS NOW UNVEILED ANOTHER CASE OF MURKY INTERACTIONS INVOLVING THE CPO AND THE DISA.

THE AGENT IS HIYU (LOCATED IN MINATO WARD, TOKYO), ESTABLISHED IN MAY 1994 AS A COMPANY EXCLUSIVELY FOR AIR INSURANCE. IT HAS BEEN INVESTED IN BY THE DISA AT 2 MILLION YEN, AND ALSO BY THE DEFENSE EQUIPMENT AND SYSTEMS ASSOCIATION, AN INCORPORATED FOUNDATION (REPRESENTED BY NOBORU HOSHUYAMA, FORMER DIRECTOR GENERAL OF THE DFAA), AND THE DEFENSE BENEFIT ASSOCIATION (REPRESENTED BY TATSUO KUSATSU, FORMER DIRECTOR OF THE JDA NATIONAL INSTITUTE FOR DEFENSE STUDIES) RESPECTIVELY AT 3 MILLION YEN AND AT 1 MILLION YEN. ADDITIONALLY, THE AGENT HAS BEEN FINANCED AT ANOTHER TOTAL INVESTMENT OF 5 MILLION YEN BY DEFENSE-RELATED CORPORATIONS, SUCH AS MITSUBISHI HEAVY INDUSTRIES, LTD., FUJI HEAVY INDUSTRIES LTD., KAWASAKI HEAVY INDUSTRIES LTD., AND SHIN MEIWA INDUSTRY CO., LTD., AND ALSO BY NONLIFE INSURANCE COMPANIES' AFFILIATES. THE AGENT'S PRESIDENT IS OSAMU SAIRENJI, FORMER DEPUTY DIRECTOR GENERAL OF THE CPO, AND DISA MANAGING DIRECTOR KENICHI UENO AND DISA MANAGING DIRECTOR ATSUSHI ITO, A FORMER LIEUTENANT GENERAL WITH THE AIR SELF-DEFENSE FORCE, ARE ON THE COMPANY'S BOARD OF DIRECTORS. BUT ALL THE THREE ARE PART-TIME DIRECTORS.

CRANE

SECT: SECTION: 01 OF 07
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SIT: NSC

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
008. cable	Re: Meeting wiith Okinawa Marine Corps Commanders (3 pages)	10/29/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[10/22/1997 - 10/30/1997]

2016-0420-F
sb1912

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

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

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
009. cable	Re: Heliport - Referendum (3 pages)	10/29/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[10/22/1997 - 10/30/1997]

2016-0420-F
sb1912

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
010. cable	Re: Futenma Relocation to Sea-Based Facility (4 pages)	10/30/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[10/22/1997 - 10/30/1997]

2016-0420-F
sb1912

RESTRICTION CODES

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

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Cable

PREC: IMMEDIATE
CLASS: UNCLASSIFIED
LINE1: OAAUZYUW RUEHKO A9461 3030344-UUUU--RHEHAAA.
LINE2: ZNR UUUUU ZZH
LINE3: O 300344Z OCT 97
LINE4: FM AMEMBASSY TOKYO
OSRI: RUEHKO
DTG: 300344Z OCT 97
ORIG: AMEMBASSY TOKYO
TO: RUEHC/SECSTATE WASHDC IMMEDIATE 2659
RUEHIA/USIA WASHDC IMMEDIATE 7401
INFO: RHEHAAA/WHITE HOUSE WASHDC
RUEAIIA/CIA WASHDC
RUALSFJ/COMUSJAPAN YOKOTA AB JA//J5/JO21//
RHHMHAH/CINCPACFLT PEARL HARBOR HI//N5//
RUEKJCS/JOINT STAFF WASHDC//J5//
RUEAWJA/USDOJ WASHDC
RUYNJDK/COMNAVFORJAPAN YOKOSUKA JA
RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RUCPDOG/USDOC WASHDC
RUEBBEA/USDOT WASHDC
RUEKJCS/SECDEF WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS OCTOBER 30

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 08 TOKYO 009461

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 OCTOBER 30

TOP HEADLINES:

ASAHI: TOKYO DISTRICT PUBLIC PROSECUTORS OFFICE TO INDICT
FORMER NIKKO SECURITIES VICE PRESIDENTS ON CHARGES OF
VIOLATIONS OF COMMERCIAL CODE; THEY ALL GAVE APPROVAL TO
PAYOFFS

NIHON KEIZAI: FINANCE MINISTRY PLANS TO CURTAIL LIFE AND

NON-LIFE INSURANCE TAX DEDUCTIONS; TO RESTRICT THEM TO PENSION AND NURSING CARE INSURANCE

TOKYO SHIMBUN: CANVASSING "PRESUMED AS "VIOLATION OF BANKING LAW"; FINANCE MINISTRY KNEW ABOUT REAL STATE OF NISSAN LIFE INSURANCE PROBLEM; BUT ITS GUIDANCE LIMITED TO ADVISING THE FIRM TO SCALE DOWN BUSINESSES

MAINICHI: U.S.-CHINA SUMMIT TO CONFIRM REPAIRING OF TIES; "NEW CENTURY" UNDERSCORED AT WELCOMING CEREMONY

YOMIURI: HIGHLY MOTIVATED TO BUILD NEW RELATIONSHIP; U.S.-CHINA SUMMIT DISCUSSES ALSO HUMAN RIGHTS AND TAIWAN ISSUES

SANKEI: SENIOR FOREIGN MINISTRY OFFICIAL DENIES GOVERNMENT'S VIEW ON ALLEGED ABDUCTIONS BY NORTH KOREANS; "NO ONE KNOWS WHAT AGENTS STATE"; DUBIOUS EVEN ABOUT RULING HANDED DOWN BY ROK COURT (TRANSLATION BELOW)

GOVERNMENT TO FRONT-LOAD ECONOMIC STIMULUS PACKAGE (MAINICHI - PAGE 7)

THE GOVERNMENT HAS NOW DECIDED TO FRONTLOAD ECONOMIC PUMP-PRIMING MEASURES DUE OUT IN MID-NOVEMBER. THIS POLICY DECISION WAS REVEALED BY CHIEF CABINET SECRETARY KENZO MURAOKA IN A PRESS CONFERENCE YESTERDAY AFTERNOON.

IN A PRESS BRIEFING ON THE 28TH HELD IN RESPONSE TO THE PLUNGE ON THE NEW YORK STOCK MARKET, MURAOKA STATED, "SINCE THE ECONOMIC FUNDAMENTALS ARE SOLID IN JAPAN, THERE IS NO NEED TO FRONTLOAD ECONOMIC STIMULUS MEASURES." BUT REACTING TO GROWING CALLS WITHIN THE LIBERAL DEMOCRATIC PARTY (LDP) AND BUSINESS CIRCLES FOR PROMPTLY CARRYING OUT THE ECONOMIC PACKAGE AND TO PRODUCE ITS IMMEDIATE EFFECT, THE GOVERNMENT APPEARS TO HAVE ALTERED ITS POLICY.

ONLY 35 PERCENT OF JAPANESE FIRMS MADE PROFITS (MAINICHI - PAGE 1)

A SURVEY CONDUCTED BY THE NATIONAL TAX ADMINISTRATION AGENCY (NTAA) UNVEILED ON THE 29TH THAT THE AGGREGATE AMOUNT OF INCOME REPORTED BY BUSINESS CORPORATIONS THROUGHOUT THE COUNTRY DURING ONE YEAR UP TO JUNE OF THIS YEAR REACHED 40.2786 TRILLION YEN, UP 1.8 PERCENT FROM THE LEVEL SEEN IN THE PREVIOUS YEAR. HOWEVER, THE RATIO OF COMPANIES THAT FILED SURPLUS-BALANCE INCOME REPORTS STOOD AT 35 PERCENT, A DROP IN SIX YEARS IN A ROW, RESETTING THE LOWEST RATIO EVER RECORDED.

ACCORDING TO THE REPORT COMPILED BY THE NTAA, OF 2,738,000 COMPANIES THROUGHOUT THE NATION, 2,641,000 COMPANIES MADE RETURNS OF THEIR INCOME. THE AGGREGATE AMOUNT OF INCOME DECLARED INCREASED FOR TWO YEARS RUNNING, BUT THE GROWTH RATE DROPPED AS MUCH AS 8.9 PERCENTAGE POINTS FROM THE PREVIOUS YEAR'S LEVEL. THE ASSESSED CORPORATE TAX AMOUNT IS 13.8118 TRILLION YEN, A

4.7 PERCENT GAIN FROM THE AMOUNT PAID IN THE PREVIOUS YEAR.

LOSSES REPORTED BY DEFICIT-BALANCE COMPANIES TOTALED 20.9695 TRILLION YEN, MARKING A YEAR-ON-YEAR DROP AFTER A HIATUS OF NINE YEARS. THIS IS BECAUSE FORMER HOUSING LOAN CORPORATIONS (JUSEN) SUFFERED LOSSES WORTH 4.8 UNCLAS SECTION 02 OF 08 TOKYO 009461

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 OCTOBER 30

TRILLION YEN IN THE PRECEDING YEAR. IF THIS ELEMENT IS REMOVED, THE NUMBER OF COMPANIES THAT MADE DEFICIT-BALANCE REPORTS INCREASED FROM THE PREVIOUS YEAR.

THE NTAA CARRIED OUT TAX INSPECTION ON 180,000 COMPANIES, SUSPECTING THAT "THERE ARE SOME DOUBTS ABOUT THE DETAILS THEY HAVE REPORTED." IT FOUND A TOTAL OF 1.6507 TRILLION YEN IN OMISSION IN INCOME REPORTS SUBMITTED BY 134,000 COMPANIES. OF THOSE, THE NTAA RECOGNIZED THAT 48,000 COMPANIES HID INCOME TOTALING 540.8 BILLION YEN BY FRAUD AND OTHER CRIMINAL MEANS.

CLASSIFIED BY THE TYPES OF BUSINESSES, THE HIGHEST RATIO OF ILLEGAL ACCOUNTING WAS FOUND IN BARS AND CLUBS, COMMANDING 52.6 PERCENT OF THE WHOLE. THEY GAINED THE TOP SPOT FOR THE TENTH STRAIGHT YEAR ON THE LIST OF COMPANIES THAT EVADED THEIR TAX REPORTING, FOLLOWED BY 48.1 PERCENT BY PACHINKO PARLORS AND 47.3 PERCENT BY PUBLIC DRINKING AND EATING ESTABLISHMENTS.

TOSHIBA ALSO GAVE BUNDLE OF CASH TO SOKAIYA CORPORATE RACKETEERS (YOMIURI - TOP PLAY)

SOKAIYA CORPORATE RACKETEER TEI TERUHO (53 YEARS OLD) WAS ARRESTED BY THE METROPOLITAN POLICE BOARD (MPB) ON CHARGE OF VIOLATING THE COMMERCIAL CODE IN THE CASE OF MITSUBISHI MOTOR INDUSTRY PROVIDING ILLEGAL FINANCIAL FAVORS TO HIM. IN THIS CONNECTION, FURTHER INVESTIGATION CONDUCTED BY THE MPB FOURTH CRIMINAL INVESTIGATION DIVISION FOUND THAT TOSHIBA (HEAD OFFICE IN MINATO WARD, TOKYO), A MAJOR ELECTRICAL MACHINERY MANUFACTURER, ALSO PAID HUNDREDS OF THOUSANDS OF YEN IN CASH TO HIM THIS YEAR ON THE PRETEXT OF ITS USING A "SEASIDE CLUBHOUSE."

THE FOURTH DIVISION HAD UNTIL YESTERDAY HEARD TESTIMONY

FROM TOSHIBA EMPLOYEES RESPONSIBLE FOR THE MATTER OF THEIR OWN FREE WILL. FROM NOW ON, IT WILL ANALYZE RELATED DATA AND PROCEED WITH STUDIES OF THE POSSIBILITY OF MAKING A CASE AGAINST TOSHIBA ON THE CHARGE OF VIOLATING THE COMMERCIAL CODE.

THE FOURTH DIVISION HAS SO FAR HEARD CIRCUMSTANCES FROM TOSHIBA EMPLOYEES RESPONSIBLE FOR THE MATTER OF THEIR OWN FREE WILL IN THE FULL CONVICTION THAT THE DATA THEY SEIZED FROM THE OFFICE OF "HONMA INTERNATIONAL," WHICH HAS ITS AFFILIATE RUN THE SEASIDE CLUBHOUSE IN QUESTION HAVE ESTABLISHED THE SUSPICION THAT TOSHIBA MADE ILLEGAL PAYOFFS WORTH HUNDREDS OF THOUSANDS OF YEN TO HONMA INTERNATIONAL.

HOWEVER, THERE ARE NO TRACES OF THE DEPOSITS OF SUCH MONEY IN THE RECORD OF HONMA INTERNATIONAL'S BANK ACCOUNT. THE FOURTH DIVISION IS NOW INVESTIGATING THE METHOD OF PAYMENT.

GOVERNMENT TO ANNOUNCE TODAY LIST OF JAPANESE WIVES RETURNING FOR VISITS FROM NORTH KOREA (ASAHI - PAGE 1)

A LIST HAS BEEN PREPARED FOR THE FIRST GROUP OF JAPANESE WOMEN MARRIED TO NORTH KOREANS WHO WILL TEMPORARILY RETURN FROM THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA) TO VISIT JAPAN. THE JAPANESE AND NORTH KOREAN GOVERNMENTS WILL ANNOUNCE THE LIST TODAY. FIFTEEN WOMEN, BETWEEN AGES 55 TO 84, WILL RETURN TO THEIR HOME TOWNS FOR THE FIRST TIME IN 40 YEARS. MOST OF THEM WENT OVER TO NORTH KOREA AROUND 1960 UNDER THE RETURN PROGRAM OF THE JAPAN-NORTH KOREA RED CROSS. THE FIRST GROUP WILL STAY HERE FOR ONE WEEK, STARTING FROM NOVEMBER 8. THEY ARE SCHEDULED TO MEET THEIR FAMILIES AND VISIT FAMILY GRAVES IN THEIR HOMETOWNS. ASAHI SHIMBUN REPORTERS MET ALL 15 AND LISTENED TO THEIR FEELINGS ABOUT THE REALIZATION OF BRIEF RETURNS TO JAPAN.

UNCLAS SECTION 03 OF 08 TOKYO 009461

USIA

FOR: USIA D/P, I/GEA, I/REF, 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.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS OCTOBER 30

THE INTERVIEW WAS ARRANGED WITH THE COOPERATION OF JAPAN-KOREA FRIENDSHIP PROMOTION AND GOOD-WILL ASSOCIATION (CHAired BY SONG HOKYONG). THE REPORTERS MET THE 15 JAPANESE WOMEN AT A HOTEL IN PYONGYANG ON OCTOBER 22 AND

23.

OUT OF THE 15, 13 WOMEN WENT OVER TO NORTH KOREA WITH THEIR HUSBANDS AND CHILDREN UNDER THE RETURN PROGRAM FOR NORTH KOREANS LIVING IN JAPAN WORKED OUT IN 1959 BY THE JAPAN-NORTH KOREA RED CROSS. EIGHT WOMEN SAILED FOR THE NORTH IN 1960, WHEN THE LARGEST NUMBER OF PERSONS WENT OVER THERE.

TWO WENT ACROSS TO THE NORTH BEFORE THE RETURN PROGRAM -- LEE CHUI EQUAL HARUKO NISHIMOTO (84), WHO WENT THERE IN 1932, COUNTING ON HER SISTER IN PYONGYANG, AND LEE PACHON EQUAL KAZUKO HATA (69), WHO WAS BORN AND BROUGHT UP IN SAKHALIN AND WENT THERE IN 1957 WITH NORTH KOREAN HUSBAND.

IN MOST CASES, THE PERSONS THEMSELVES OR THEIR FAMILY MEMBERS MADE THE PROPOSAL TO THE NORTH KOREAN RED CROSS AFTER LEARNING BY TELEVISION OR NEWSPAPERS A STATEMENT ISSUED BY THE NORTH KOREA ASIA-PACIFIC PEACE COUNCIL THIS JULY SAYING THAT "NECESSARY STEPS WILL BE TAKEN" TO REALIZE TEMPORARY RETURNS TO JAPAN.

ASKED ABOUT THEIR FEELINGS, A WOMAN SAID, "THIS SEEMS TO ME LIKE A DREAM," AND AN OTHER STATED, "I CANNOT BELIEVE THIS IS REALLY HAPPENING UNTIL I LAND IN JAPAN." ONE SAID, "MY DECEASED MOTHER APPEARS IN MY DREAMS EVERY NIGHT."

REGARDING THE ISSUE OF ALLEGED KIDNAPPINGS OF JAPANESE NATIONALS, MOST REPLIED, "I HAVE NOT HEARD ABOUT IT." ONE WOMAN REPLIED, "I READ A REPORT IN THE NEWSPAPERS ABOUT THIS NEWS WAS TAKEN UP BY THE JAPANESE DIET, BUT IT IS HARD TO BELIEVE."

THEIR AVERAGE AGE IS 62.5. ALL HAVE LIVED IN THE NORTH LONGER THAN IN JAPAN, AND SEVERAL PERSONS CAN HARDLY SPEAK JAPANESE. THEY HAVE ALL SPENT THEIR LIVES USING KOREAN NAMES.

THE NORTH KOREAN RED CROSS EXPLAINS THAT IN PICKING MEMBERS FOR THE FIRST GROUP, CONSIDERATION WAS GIVEN TO THE AGES OF THE PERSONS THEMSELVES AND THEIR FAMILIES, THEIR EAGERNESS, AND A WIDER RANGE OF LIVING AREAS. THE TOTAL NUMBER OF THOSE WHO DESIRE TO MAKE TEMPORARY RETURNS TO JAPAN HAS NOT YET BEEN DISCLOSED, BUT ARRANGEMENTS FOR THE SECOND AND THIRD GROUPS HAVE BEEN COMPLETED, ACCORDING TO A PERSON RELATED TO THE PROJECT TO REALIZE VISITS TO HOME TOWNS BY JAPANESE WOMEN MARRIED TO NORTH KOREANS.

SENIOR FOREIGN MINISTRY OFFICIAL DENIES PROOF NORTH KOREAN AGENT ABDUCTED GIRL IN JAPAN (SANKEI - TOP PLAY)

A SENIOR OFFICIAL OF THE MINISTRY OF FOREIGN AFFAIRS (MOFA) YESTERDAY AFTERNOON COMMENTED ON ALLEGATIONS OF KIDNAPPINGS OF JAPANESE BY NORTH KOREAN AGENTS. HE VOICED HIS STRONG DOUBTS ON THE CREDIBILITY OF A FORMER

NORTH KOREAN AGENT'S TESTIMONY, WHICH HAS BEEN TAKEN EVIDENCE PROVING ALLEGATIONS ABOUT ABDUCTION CASES. HE ADDED THAT IN HIS VIEW, THERE IS THE NEED TO BE CIRCUMSPECT IN COPING WITH NORTH KOREA REGARDING THE ALLEGED ABDUCTIONS. THESE REMARKS MADE BY THE SENIOR MOFA OFFICIAL IS VIEWED AS A DENIAL OF WHAT HAS BEEN REVEALED SO FAR ABOUT THE FACTS IN THIS CASE, AS WELL AS OF THE JAPANESE GOVERNMENT'S VIEW. MORE SERIOUSLY, HIS STATEMENTS QUESTION THE RULING HANDED DOWN BY A COURT IN THE REPUBLIC OF KOREA (ROK) IN CONNECTION WITH AN ABDUCTION CASE. REPERCUSSIONS WILL LIKELY BE FELT AT UNCLAS SECTION 04 OF 08 TOKYO 009461

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 OCTOBER 30

HOME AND ABROAD.

A GIST OF THE COMMENTS BY THE SENIOR MOFA OFFICIAL

QUESTION: THE ALLEGATIONS OF ABDUCTIONS (OF JAPANESE) BY NORTH KOREANS HAVE HELD THE SPOTLIGHT TO THIS EXTENT, ALTHOUGH THERE IS NO EVIDENCE.

SENIOR MOFA OFFICIAL: "THE KIDNAPPING CASES HAVE NO OTHER EVIDENCE THAN THE TESTIMONY GIVEN BY A DEFECTOR, SO WE NEED TO BE PRUDENT ABOUT HANDLING THIS MATTER. THE TESTIMONY IS WHAT AN AGENT WHO DEFECTED FROM (THE NORTH) SAID. ALTHOUGH SOMEONE MAY CITE THE TESTIMONY GIVEN DURING THE COURT TRIAL IN THE ROK, THAT AGENT, WHO WAS CAPTURED BY THE ROK, WILL SAY ANYTHING -- NO MATTER WHAT."

QUESTION: ACCORDING TO THE NATIONAL POLICE WHITE PAPER, THERE WERE SEVEN KIDNAPPING CASES INVOLVING 10 PERSONS.

SENIOR MOFA OFFICIAL: "RECENTLY A DIETMEMBER STORMED AT ME, BY SAYING ALTHOUGH YOU REFER TO THE MATTER AS 'ALLEGED ABDUCTIONS,' WHAT DO YOU MEAN BY CALLING IT 'ALLEGED'? HE THEN PRESSED ME TO CALL THE MATTER 'ABDUCTION CASES' BY REMOVING THE WORD, ALLEGED. HOWEVER, ANOTHER LAWMAKER..., NAMELY, HIRASAWA (KATSUEI HIRASAWA, A LOWER-HOUSE MEMBER) WHO WAS ONCE A MEMBER OF THE POLICE, SUPPORTED ME, EXPLAINING THAT IN SUCH A CASE THE POLICE EMPLOY THE WORD, 'SUSPECTED.'"

THIS SENIOR MOFA OFFICIAL EXPRESSED HIS VIEWS IN THE WAY

OF ANSWERING THE QUESTIONS RAISED BY THE PRESS IN A PRESS BRIEFING WITH THE JOURNALISTS IN CHARGE OF MOFA COMING FROM VARIOUS PRESS COMPANIES. ON SUSPECTED KIDNAPPINGS THEMSELVES, THIS OFFICIAL STATED: "THERE IS NO OTHER EVIDENCE THAN WHAT A DEFECTOR TESTIFIED."

ADDITIONALLY, TOUCHING ON THE TESTIMONY GIVEN BY A FORMER AGENT, THIS OFFICIAL NOTED, "THEY WILL SAY ANYTHING," AND INDICATED THAT IN HIS VIEW, SUCH ACCOUNTS ARE UNRELIABLE. THIS REMARK CONNOTES THE TESTIMONY GIVEN BY SIN GWANG JU (68) -- A FORMER NORTH KOREAN AGENT WHO WAS CONVICTED OF AN OFFENSE AGAINST THE NATIONAL SECURITY LAW -- NOW IN PRISON. THERE IS THE FEAR THAT THESE STATEMENTS MADE BY THE SENIOR MOFA OFFICIAL MAY BE TAKEN THAT A HIGH-LEVEL OFFICIAL IN THE JAPANESE GOVERNMENT INDICATED A NEGATIVE NOTION ABOUT THE RULING MADE BY AN ROK COURT.

ON ALLEGATIONS OF KIDNAPPINGS, THE GOVERNMENT AND THE INVESTIGATORS HAVE RECOGNIZED THERE WERE SUCH CASES, AND A RESCUE CAMPAIGN IS NOW VIGOROUSLY UNFOLDING AMONG DIETMEMBERS AND PRIVATE-SECTOR ORGANIZATIONS IN ORDER TO INVESTIGATE THE CIRCUMSTANCES AND RESCUE THOSE WHO WERE ABDUCTED.

KEDO STUDYING POSSIBILITY OF SETTING UP BODY TO TRAIN NORTH KOREAN TECHNICIANS (ASAHI - PAGE 2)

IT WAS LEARNED ON THE 29TH THAT THE KOREAN ENERGY DEVELOPMENT ORGANIZATION (KEDO), WHICH PROVIDES THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA) WITH LIGHT-WATER REACTORS, WAS LOOKING INTO ESTABLISHING AN "ADVISORY COMMITTEE" TO TRAIN NORTH KOREAN ENGINEERS, AS WELL AS TO CHECK THE STATE OF OPERATION OF REACTORS AFTER THEY ARE ALL INSTALLED. NEWLY APPOINTED KEDO EXECUTIVE DIRECTOR (DESAIX) ANDERSON REVEALED THIS AT A MEETING WITH THE LIBERAL DEMOCRATIC PARTY'S FOREIGN AFFAIRS RESEARCH COUNCIL YESTERDAY.

SENIOR FOREIGN MINISTRY OFFICIAL UNHAPPY WITH JIANG ZE MIN'S VISIT TO PEARL HARBOR (NIHON KEIZAI - PAGE 2)

A SENIOR OFFICIAL OF THE MINISTRY OF FOREIGN AFFAIRS
UNCLAS SECTION 05 OF 08 TOKYO 009461

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 OCTOBER 30

YESTERDAY EXPRESSED HIS UNHAPPINESS WITH CHINESE PRESIDENT JIANG ZEMIN'S VISIT TO THE ARIZONA MEMORIAL AT PEARL HARBOR, HAWAII, AS HIS FIRST STOP IN A STATE VISIT TO THE UNITED STATES. HE STATED, "IT WILL HAVE A NEGATIVE IMPACT ON OUR EFFORTS TO CREATE A COMFORTABLE ENVIRONMENT FOR THE VISIT TO JAPAN BY PRIME MINISTER LI PENG (SCHEDULED ON NOVEMBER 11)."

IT APPEARS THAT PRESIDENT JIANG AIMED AT IMPROVING U.S.-CHINA RELATIONS BY TAKING A TOUR OF PEARL HARBOR, WHERE THE PACIFIC WAR BROKE OUT, TO REMIND THE U.S. OF THE FACT THAT JAPAN WAS ONCE AN ENEMY OF BOTH THE U.S. AND CHINA. THE SENIOR FOREIGN MINISTRY OFFICIAL'S REMARK WAS MEANT TO CRITICIZE THE ACT OF PRESIDENT JIANG VISITING PEARL HARBOR AS VIOLATING THE BASIC BILATERAL AGREEMENT OF STRENGTHENING JAPAN-CHINA TIES.

U.S.-JAPAN DEFENSE CHIEFS TO MEET NOVEMBER 22
(ASAHI - PAGE 2)

IT HAS BEEN DECIDED THAT UNITED STATES SECRETARY OF DEFENSE COHEN WILL VISIT JAPAN ON NOVEMBER 22 TO MEET WITH DEFENSE AGENCY (JDA) DIRECTOR GENERAL FUMIO KYUMA AND OTHER OFFICIALS. THIS WAS REVEALED YESTERDAY BY A SENIOR JDA OFFICIAL. THE TWO DEFENSE HEADS WILL EXCHANGE VIEWS ON THE STATE OF A MUTUAL COOPERATION PLAN AND A JOINT ACTION PLAN BASED ON THE NEW DEFENSE GUIDELINES FOR JAPAN-U.S. DEFENSE COOPERATION. THEY ALSO WILL DISCUSS BASE ISSUES INCLUDING THE RELOCATION OF A HELIPORT AT THE U.S. MARINE CORPS' FUTENMA AIR STATION ON OKINAWA.

23 JAPANESE COMPANIES ASK U.S., JAPAN TO IMPROVE DEFENSE INDUSTRY COOPERATION (NIHON KEIZAI - PAGE 11)

A TOTAL OF 23 LEADING MANUFACTURERS IN JAPANESE AND U.S. DEFENSE-RELATED INDUSTRIES, INCLUDING MITSUBISHI HEAVY INDUSTRIES, LTD., KAWASAKI HEAVY INDUSTRIES, LTD., AND SUCH AMERICAN COMPANIES AS THE BOEING CO. AND LOCKHEED MARTIN, WILL REQUEST THE JAPANESE AND U.S. GOVERNMENTS TO CREATE A SCHEME FOR INDUSTRIAL COOPERATION IN THE DEFENSE AREA. NOW THAT THE TWO COUNTRIES' CO-DEVELOPMENT OF JAPAN'S F-2 FIGHTER SUPPORT PLANE HAS RESULTED IN LEAVING DISSATISFACTION TO BOTH COUNTRIES' RESPECTIVE DEFENSE INDUSTRIES, THEY ARE CALLING ON THE TWO GOVERNMENTS FOR BETTER RESPONSES REGARDING THE JAPANESE GOVERNMENT'S PRACTICAL APPLICATION OF EXPORT CONTROLS AND THE U.S. GOVERNMENT'S DISCLOSURE OF MILITARY TECHNOLOGIES. THEY ARE GOING TO ESTABLISH A JOINT DEVELOPMENT SYSTEM FOR THE TWO COUNTRIES' PRIVATE-SECTOR COMPANIES TO READY THEMSELVES FOR BIG PROJECTS, SUCH AS AIRCRAFT DEVELOPMENT.

THE TWO COUNTRIES' DEFENSE INDUSTRIES HAVE HAD NO BILATERAL CONTACT POINT. IN THE JOINT DEVELOPMENT OF THE F-2, ITS U.S. PARTICIPANTS WERE DISSATISFIED WITH "JAPAN'S UNILATERAL ABSORPTION OF OUR MILITARY TECHNOLOGIES." ON THE OTHER HAND, THE JAPANESE SIDE WAS AFFECTED BY AN ALTERATION IN THE U.S. GOVERNMENT'S COURSE

OF ACTION TO DISCLOSE MILITARY TECHNOLOGIES. THEREFORE, THOSE JAPANESE AND U.S. DEFENSE INDUSTRY MANUFACTURERS HAVE HELD TALKS AT THE INITIATIVE OF THE U.S. DEPARTMENT OF DEFENSE, AIMING AT FUTURE JOINT DEVELOPMENT PROJECTS.

THE JAPANESE AND U.S. DEFENSE INDUSTRIES WILL HOLD A MEETING IN JAPAN ON THE 30TH AND 31ST. THEY WILL WORK OUT A JOINT PROPOSAL ON THAT OCCASION, AND WILL PRESENT IT AT A SYSTEMS AND TECHNOLOGY FORUM (S&TF) (FOR JAPAN-U.S. PERIODIC CONSULTATIONS ON EQUIPMENT AND TECHNOLOGY), WHICH IS TO MEET IN TOKYO IN MID-NOVEMBER, SO AS TO HAVE IT REFLECTED IN THE TWO COUNTRIES' RESPECTIVE POLICIES.

THE JOINT PROPOSAL IS EXPECTED TO CALL FOR THE JAPANESE GOVERNMENT TO CLARIFY DIFFERENCES BETWEEN MILITARY UNCLAS SECTION 06 OF 08 TOKYO 009461

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.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS OCTOBER 30

TECHNOLOGIES AND DUAL-USE TECHNOLOGIES AND EXPEDITE ITS JUDGMENT AS TO WHETHER OR NOT SUCH CAN BE EXPORTED. TRANSFERRING MILITARY TECHNOLOGIES ONLY BETWEEN JAPAN AND THE U.S. IS NOW APPROVED, BUT JAPANESE MANUFACTURERS ARE NOT ALLOWED TO TRANSFER ANY OF THEIR DEFENSE EQUIPMENT ITEMS AND PARTS OR ANY OF THEIR MANUFACTURING FACILITIES.

REGARDING MILITARY TECHNOLOGY DISCLOSURE, THE JAPANESE SIDE WILL REQUEST THE U.S. GOVERNMENT TO CLARIFY ITS DISCLOSABLE SCOPE OF TECHNOLOGIES BECAUSE EXCESSIVE RESTRICTIONS MAY STYMIE THE TWO COUNTRIES' CO-DEVELOPMENT OF DEFENSE EQUIPMENT AND SYSTEMS. IN CASE THE "BUY AMERICAN" CLAUSE, WHICH REQUIRES MANUFACTURERS TO PURCHASE U.S. PRODUCTS, BECOMES AN OBSTACLE TO SUCH JOINT DEVELOPMENT, THE JAPANESE SIDE WILL REQUEST THE PENTAGON TO EXTEND COOPERATION FOR A SOLUTION TO THE PROBLEM.

PRIME MINISTER APPROVES PLAN OUTLINE FOR ALTERNATIVE HELIPORT IN OKINAWA (MAINICHI - PAGE 2)

PRIME MINISTER RYUTARO HASHIMOTO MET WITH JAPAN DEFENSE AGENCY ADMINISTRATIVE DEPUTY DIRECTOR GENERAL MASAHIRO AKIYAMA AND OTHER OFFICIALS AT HIS OFFICIAL RESIDENCE ON THE 29TH TO DISCUSS AN IMPLEMENTATIONAL PLAN FOR A SEA-BASED HELIPORT BEING PLANNED TO BE CONSTRUCTED IN WATERS OFF THE CITY OF NAGO IN OKINAWA PREFECTURE ALONG WITH THE RELOCATION OF FUTENMA AIR STATION. THE PRIME MINISTER

THEN APPROVED AN "OUTLINE" OF THE PLANNED CONSTRUCTION. THE GOVERNMENT IS PLANNING TO CONSTRUCT THE HELIPORT AT A POINT SITUATED MORE THAN 1.5 KILOMETERS OFF THE SHORE. AS FOR HOW TO CONSTRUCT IT, THE GOVERNMENT'S PLAN INCORPORATES TWO OPINIONS RECOMMENDING THE PONTOON-TYPE FORMULA, A PROCESS DESIGNED TO FLOAT JOINTED BLOCS, AND THE QIP PROCESS, ANOTHER CONSTRUCTION METHOD TO PROP UP A HUGE DECK ON A LEGGED PLATFORM. CONCERNING THE NUMBER OF CHOPPERS TO BE STATIONED ON THAT OFFSHORE HELIPORT, THE GOVERNMENT IS NOW IN THE PROCESS OF COORDINATION WITH THE U.S. FORCES TO SPECIFY ITS PROPOSAL OF "ABOUT 60 HELICOPTERS," WHICH IS THE SAME AS THE NUMBER OF HELICOPTERS CURRENTLY DEPLOYED TO THE FUTENMA AIRFIELD. THE GOVERNMENT WILL SHOW THE PLAN TO OKINAWA PREFECTURE'S GOVERNOR MASAHIDE OTA AND NAGO CITY'S MAYOR TETSUYA HIGA NEXT WEEK AT THE EARLIEST, AND WILL THEN MAKE IT PUBLIC.

-- NAGO OFFSHORE HELIPORT: CITIZENS' VOTING COORDINATED FOR LATTER HALF OF DECEMBER IN NAGO CITY

ON THE ISSUE OF CONSTRUCTING A SEA-BASED HELIPORT ALONG WITH THE PLANNED REVERSION OF THE U.S. FORCES' FUTENMA AIR STATION SITE IN OKINAWA, IT BECAME KNOWN ON THE 29TH THAT THE MUNICIPAL OFFICE OF NAGO CITY IN OKINAWA PREFECTURE HAS BEEN CONDUCTING COORDINATION SO AS TO SCHEDULE A REFERENDUM OF THE CITY'S RESIDENTS FOR "THE LATTER HALF OF DECEMBER" OR AROUND DECEMBER 21 ON THE PROPRIETY OF CONSTRUCTING THE OFFSHORE HELIPORT THERE. THE CITY'S MUNICIPAL PLEBISCITE ORDINANCE PROVIDES THAT "IT SHOULD BE CARRIED OUT BY JANUARY 18 OF NEXT YEAR." HOWEVER, VOTING WITHIN THE YEAR IS NOW HIGHLY PROBABLE.

SDP AND SAKIGAKE PARTY IN SPIRITED DEBATE OVER WHETHER TO LEAVE THE RULING COALITION (ASAHI - PAGE 7)

"IF WE BECOME AN OPPOSITION PARTY, OUR EXPOSURE TO NEWSPAPERS AND TELEVISION WILL CERTAINLY DROP." "BUT IF OUR PARTY TURNS INTO AN OPPOSITION PARTY, LOCAL PARTY MEMBERS WILL BE ABLE TO PURSUE OUR OWN GOALS WITHOUT WORRYING ABOUT OTHER PARTIES."

KIYOMI TSUJIMOTO, A FIRST-TIME MEMBER OF THE SOCIAL DEMOCRATIC PARTY (SDP) WHO IS IN FAVOR OF LEAVING THE RULING CAMP, RECENTLY HANDED TO SECRETARY GENERAL SHIGERU ITO A PLUS AND MINUS TABULATION WITH THE ABOVE COMMENT.

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USIA

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS OCTOBER 30

UPON READING THE STATEMENT, SECRETARY GENERAL ITO INSTRUCTED TSUJIMOTO TO WORK OUT THE DETAILS, SAYING, "IT IS A GOOD APPROACH TO MULL OVER THE PARTY'S FUTURE COURSE CALMLY, NOT IN AN IMPULSIVE MANNER."

-- LIMIT

NEXT YEAR'S UPPER HOUSE ELECTION IS CERTAINLY ONE OF THE REASONS THE ARGUMENT TO LEAVE THE RULING CAMP HAS BEEN GAINING GROUND IN THE SDP. BUT MORE DIRECTLY, IT IS BECAUSE THE SDP NOW THINKS IT HAS REACHED ITS "LIMIT" IN EXTENDING COOPERATION TO THE LIBERAL DEMOCRATIC PARTY (LDP) FROM OUTSIDE THE CABINET, DUE TO SUCH EVENTS AS THE REVIEW OF THE JAPAN-U.S. DEFENSE COOPERATION GUIDELINES AND KOKO SATO'S CABINET ENTRY.

SENSING SUCH A MOOD, SECRETARY GENERAL ITO HAS REVEALED A PLAN TO HEAT UP THE SHIFT-AWAY-FROM-THE-COALITION-ARRANGEMENT ARGUMENT FOR THE PARTY CONVENTION IN JANUARY. SOME JUNIOR MEMBERS HAVE ALREADY SUGGESTED AN EARLY DEPARTURE FROM THE RULING CAMP, ARGUING, "IF WE ATTEND THE RULING CAMP'S DISCUSSION FOR COMPILING A FY1998 BUDGET TOWARD THE END OF THE YEAR, WE WILL BE TIED DOWN TO THE PRESENT ARRANGEMENT UNTIL THE BUDGET PASSES THE DIET IN APRIL." THE DEBATE HAS BEEN GAINING HEAT.

THE SAME KIND OF ARGUMENT IS SMOLDERING IN THE SAKIGAKE PARTY AS WELL.

"ADMINISTRATIVE REFORM IS NOW AT A CRITICAL STAGE. THE THREE RULING PARTIES ARE IN ACCORD, IN FACT WE HAVE PRODUCED A WRITTEN AGREEMENT, ABOUT THE SEPARATION OF THE FINANCE MINISTRY'S FISCAL AND FINANCIAL FUNCTIONS. AN INSUFFICIENT OUTCOME WOULD BE A BREACH IN FAITH." FORMER SAKIGAKE HEAD MASAYOSHI TAKEMURA HAS REPEATEDLY BOASTED ABOUT THE ABOVE IN A SPEAKING TOUR HE KICKED OFF LAST MONTH IN TOKYO. HE SEEMS TO BE CALCULATING THAT LEAVING THE RULING CAMP OVER POLITICAL ETHICS, SECURITY ISSUES AND ADMINISTRATIVE REFORM WOULD HELP UNDERLINE THE PRESENCE OF THE SDP AND SAKIGAKE AND THAT WOULD WORK FAVORABLY FOR THE UPPER HOUSE ELECTION.

-- HURDLE

"I THINK THE SDP AND THE SAKIGAKE PARTY WILL OPT FOR A PATH DIFFERENT FROM THE PRESENT ARRANGEMENT BY THE UPPER HOUSE ELECTION NEXT YEAR." MINSHUTO (DEMOCRATIC PARTY OF JAPAN) PRESIDENT NAOTO KAN HAS REPEATEDLY MADE A COMMENT LIKE THE ABOVE AS IF TO ENCOURAGE THE TWO PARTIES' DEPARTURE FROM THE RULING CAMP. IF KAN'S GOAL IS TO CONSOLIDATE LIBERAL FORCES TO CREATE SOMETHING LIKE ITALY'S CENTRIST-LEFTIST ALLIANCE NAMED "OLIVE TREE," THE SDP AND SAKIGAKE'S DEPARTURE FROM THE RULING CAMP IS

ABSOLUTELY NECESSARY.

IN HIS SIDEWALK SPEECH, SAKIGAKE'S TAKEMURA ALSO ARGUES, "THERE WILL BE NO BRIGHT FUTURE IF NON-LDP PARTIES CONTINUE TO LOCK HORNS WITHOUT JOINING HANDS."

KAN AND TAKEMURA ARE IN ACCORD THAT WITHOUT JOINING FORCES, THERE WILL BE NO VICTORY. BUT WHEN IT COMES TO SPECIFICS, THE TWO SIDES ARE SOMEWHAT INARTICULATE.

MINSHUTO SECRETARY GENERAL YUKIO HATOYAMA: "WHAT IS THE SAKIGAKE PARTY'S STRATEGY?"

TAKEMURA: "HAVING NO STRATEGY IS OUR STRATEGY."

THE ABOVE CONVERSATION THAT TOOK PLACE AT A MEETING OF EXECUTIVES OF THE TWO PARTIES ON OCTOBER 22 WAS LIKE A SOUL-SEARCHING QUESTION AND ANSWER SESSION OF THE ZEN BUDDHIST SECT.

UNCLAS SECTION 08 OF 08 TOKYO 009461

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 OCTOBER 30

MINSHUTO EXECUTIVES ARE NOT TOO OPTIMISTIC ABOUT THE TWO PARTIES' FUTURE COURSES. ONE MINSHUTO MEMBER WHO CAME FROM THE SDP HAS ADVISED HATOYAMA: "THE SDP IS STILL CLINGING TO THE ILLUSION THAT IT CAN EXERCISE INFLUENCE IN THE RULING CAMP."

HATOYAMA'S OPINION ABOUT THE SAKIGAKE'S POSSIBLE DEPARTURE FROM THE RULING CAMP OVER ADMINISTRATIVE REFORM IS: "IT IS CONCEIVABLE THAT THE LDP WILL SETTLE WITH A TENTATIVE AGREEMENT OVER POLICY ISSUES. AFTER ALL, THE LDP IS A SKILLED AND EXPERIENCED PLAYER. THE LDP WON'T GIVE A CHANCE SO EASILY FOR THE SAKIGAKE TO MAKE UP ITS MIND TO DUMP IT."

WHAT IS MORE SERIOUS IS THE DEEP-ROOTED GRUDGE AGAINST THE MINSHUTO THAT CAUSED THE SPLIT OF THE SDP'S LOCAL ORGANIZATIONS. SOME CHAPTERS HAVE BEEN MAKING PREPARATIONS TO BACK CANDIDATES TO COUNTER THE MINSHUTO IN THE UPPER HOUSE ELECTION.

THE MINSHUTO NEEDS TO CLEAR THIS HURDLE BEFORE REALIZING ELECTION COOPERATION.

FINAL ADMINISTRATIVE REFORM REPORT READY ON DECEMBER 3
(SANKEI - PAGE 3)

THE CONFERENCE OF ADMINISTRATIVE REFORM (CHAIRMANED BY PRIME MINISTER RYUTARO HASHIMOTO) MET YESTERDAY AT THE PRIME MINISTER'S RESIDENTIAL OFFICE AND REACHED AGREEMENT THAT BECAUSE OF THE PRIME MINISTER'S DIPLOMATIC SCHEDULE, THE COMPILATION OF THE FINAL REPORT, WHICH WAS ORIGINALLY SCHEDULED FOR LATE NOVEMBER, WILL BE DONE ON DECEMBER 3. ON THE ISSUE OF THE STATUS OF EMPLOYEES OF INDEPENDENT ADMINISTRATIVE CORPORATIONS (AGENCIES), THE PANEL DID NOT REACH A CONCLUSION BECAUSE OF QUESTIONS FROM FORMER RENGO CHAIRMAN JINNOSUKE ASHIDA WHICH IN EFFECT REJECTED THE IDEA OF AN AGENCY SYSTEM. AS A RESULT, CONCENTRATED DELIBERATION ON THIS WAS CARRIED OVER. CRANE

SECT: SECTION: 01 OF 08

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DIST:

SIT: NSC

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
011. cable	Re: Missile Defense Plans (5 pages)	10/30/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[10/22/1997 - 10/30/1997]

2016-0420-F
sb1912

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

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

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
012. cable	Re: Comments on Futenma Relocation (4 pages)	10/30/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

[10/22/1997 - 10/30/1997]

2016-0420-F
sb1912

RESTRICTION CODES

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