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P1 National Security Classified Information [(a)(1) of the PRA]
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P3 Release would violate a Federal statute [(a)(3) of the PRA]
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Cable

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SUBJ: JAPANESE DAILY PRESS SUMMARY 11/10/97
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UNCLAS SECTION 01 OF 09 TOKYO 009799

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ARTICLES:

(1) EDITORIAL: Materials Needed for Local Community's Judgment on Heliport Construction

TOKYO SHIMBUN (Page 4) (Full)
November 7, 1997

A basic plan for the construction of an alternative heliport necessary for the reversion of the Futenma Air Station site in Okinawa Prefecture has been shown by the central government to the local community. The local residents, though, should be provided with more objective information in order to judge its propriety.

In the city of Nago, where an alternative heliport is planned to be constructed to replace the Futenma airfield, a referendum is going to be carried out on December 21. With this in mind, the government's presentation of the basic plan is probably aimed to obtain the local residents' understanding.

The government's blueprint calls for constructing a sea-based heliport in waters off Camp Schwab in the city of Nago, adopting either the so-called QIP process or the pontoon-type formula.

In the case of the QIP process, the heliport is planned to be installed at a spot about 1.5 kilometers away from the nearest local community. Accordingly, the problem is whether the noise of helicopters will affect the local residents' daily lives. As for the pontoon-type formula, the heliport is planned to be constructed at a point about three kilometers off the shore. In this case, however, there is concern over its possible after-effect on the coral environment.

The government asserts, "Flights after 10:00 p.m.

will be subject to self-constraint, and flights over local communities, schools, and kindergartens will be avoided. Noise will satisfy the environmental safety standard." Referring also to UNCLAS SECTION 02 OF 09 TOKYO 009799

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possible effects on the coral reef, the government says it "will avoid constructing the heliport at any spot where coral is concentrated, and will also assist coral insertion at the breakwaters." In this way, the government stresses, the possible effects would be minimalized.

Such explanations will never remove the local community's anxiety. Noise pollution, depending on the flight course of the choppers, might spread over Nago City and its vicinity. Also, the government says that night flights after 10:00 p.m. will be subjected to self-constraint, but such is a "principle." Many residents undoubtedly fear that helicopter noise might disturb their quiet sleep during the late hours.

Regarding the issue of carrying out an environmental assessment before constructing an offshore heliport, the government has yet to present a concrete implementational plan to the local side, saying that it "will carry it out if the local side accepts the heliport construction plan." However, the government must provide the local community with even more objective information, or they might not be able to judge anything about the propriety of constructing such a heliport in their locale.

The Futenma airfield's reversion is extremely significant not only in the sense of realigning and consolidating the U.S. military bases on Okinawa but also in the sense of promoting Okinawa's economic development.

However, Futenma reversion will not make headway unless an alternative heliport is constructed. Heliport construction holds the vital key to Futenma reversion.

Okinawa Prefecture is now being pressed for a difficult choice. This, however, is an urgent problem for the citizens of Nago City all the more because they will be directly affected by noise pollution. Therefore, it is well meaningful to implement the inhabitants' voting to hear the local community's public opinion directly. It is difficult to operate the bases there in a smooth way without local understanding and cooperation -- as is evident also from the progress of the Okinawa problem in the past.

The government reportedly is going to brief the local community on its heliport construction plan before the residents' voting. The government, on that occasion, will have to disclose as much information as possible and provide the locals with materials that will make for their judgment of the pros and cons of the matter.

At the same time, the government ought to hear the local community's opinion well and carry out an environmental assessment as early as possible. Additionally, the government should make utmost
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efforts -- through such approaches as holding preliminary negotiations with the U.S. military on such issues as self-restraint on night flights -- so as to obtain the local community's understanding.

(2) U.S. Defense Equipment Worth 60 Billion Yen Remains Undelivered; 310 Billion Yen Worth of Equipment Still Not Settled Despite Japan's Advance Payments and Its Ten Years of Call for Settlement of FMS Contracts

ASAHI (Top Play) (Excerpts)
November 10, 1997

It became known on the 9th that of all American-made defense equipment Japan ordered based on foreign military sales (FMS) agreements --

concluded between the Japan Defense Agency (JDA) and the U.S. Government in accordance with the Treaty of Mutual Cooperation and Security between the United States and Japan -- delivery procedures for equipment worth approximately 310 billion yen (as of the end of fiscal 1996) have not been completed (unsettled). Of that amount, a total of 60 billion yen worth of equipment remains undelivered despite the JDA's advance payments. In some cases, deliveries have been more than ten years overdue.

There are two ways for the JDA to purchase military equipment that are not produced in Japan: either to import directly from American makers, or to enter into government-to-government FMS contracts to keep military secret.

Materials Japan purchase under the FMS program include aircraft, ship equipment, missiles and technical publications. Necessary procedures that are woven rigidly in the U.S. military supply system involve the following factors that put a purchasing country at a disadvantage: 1) advance payments; 2) unstable deliveries; and 3) commissions in canceling contracts.

The U.S. Government is under FMS contracts with nearly 100 countries as part of its military assistance program. U.S. priorities are classified into 15 levels by the degree of urgency. Japan is said to rank around the 13th.

The unsettled balance of 310 billion yen can be broken down into: undelivered equipment worth 60 billion yen, or nearly 20 percent of all orders; unstable deliveries of equipment in installments totaling 120 billion yen, or 40 percent; and equipment delivered to Japan without statements of settlement totaling 120 billion yen, another 40 percent.

In large part, the unsettled FMC balance was pushed up by such big-ticket items as F-15 fighters and P-3C antisubmarine aircraft -- mostly ordered by the JDA in the 1980s -- and Aegis and an airborne
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warning and control system (AWACS) in later years.

Although the JDA has not revealed its figures, the balance of unsettlement reached a record high of 400 billion yen in fiscal 1992. In years that followed, the JDA's procurement itself has leveled off, and at the end of fiscal 1996, the balance stood at 90 billion yen.

The JDA has explained that undelivered equipment was mostly ship and aircraft parts that could be substituted with parts domestically produced for general purposes and that there was hardly any hindrance to the operation of the Self-Defense Forces (SDF).

But because the unsettled balance has always been so huge, the Board of Audit (BOA) has been looking into it closely with great interest. The BOA, however, has never mentioned its findings in its report, reasoning, "The root cause lies in the U.S. There is a limit to what the JDA can do to improve the situation."

Since around 1988, the JDA has been holding biannual sessions of Japanese and U.S. officials in charge of procurement of equipment to look for ways to settle the problem. In addition, the JDA has been verifying statements of settlement that come from the U.S. every three months as well as to urge the U.S. for an early settlement through its officials stationed in the U.S. and the Foreign Ministry.

An official with the JDA Equipment Bureau has noted: "The U.S.' default of its obligation, that is, its failure to deliver equipment on time, is a problem. We have been working very hard to reduce the unsettled portion. But because the fundamental cause lies in the U.S., the only way available for us now is to press harder the U.S. side."

Imports of Equipment by the Japan Defense Agency

(in 100 million yen)

- 1) -- Fiscal Year
- 2) -- General Imports
- 3) -- FMS Procurement

- 1) 1991
- 2) 869
- 3) 1023

- 1) 1992
- 2) 1011

3) 474

- 1) 1993
- 2) 1356
- 3) 1574

- 1) 1994
- 2) 1195
- 3) 1056

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- 1) 1995
- 2) 914
- 3) 598

(3) Prime Minister Cautious about Fiscal
 Disbursements; Gives Priority to Structural Reform
 to Stimulate Economy

MAINICHI (Top Play) (Full)
 November 10, 1997

(Riyadh, November 9, Hirata)

Prime Minister Ryutaro Hashimoto on the morning of the 9th (Japan time, the afternoon of the same day) told reporters accompanying him on a tour to Saudi Arabia at the Guest House in Riyadh that in order to boost the national economy, "we have launched reforms with the determination of suffering short-term pain. Priority should be given to achieving administrative, economic structural and fiscal structural reforms." This statement is aimed to underscore a cautious stance toward economic measures that would require fiscal disbursements, such as an income tax break. Regarding the issue of restructuring the bureaucracy, he said, "When the need for unifying views arises, I will make a final decision," revealing his determination to make a conclusion on his own discretion for issues facing stormy negotiations in the Government and ruling parties.

The prime minister first stated, in connection with

the drop of the average stock price on the Tokyo stock exchange market to below the 16,000 yen level at the end of last week, "A series of payoffs to sokaiya corporate racketeers by leading listed companies, including securities houses, are beyond my supposition. So it is hard for me to promptly judge how far the scandals has affected the market." Referring to the impact of such pay-off scandals, he reiterated the need to maintain the fiscal structural reform policy line. Regarding specific economic stimulus measures, however, he did not go further than mentioning consideration to small to medium-size manufacturers who have found it difficult to raise capital due to financial institutions' reluctance to offer them loans.

On the reorganization of government offices, the prime minister, although refraining from touching on specific measures, said determinedly, "I have so far put my efforts in soliciting opinions, but time is running out. I need to hand down a judgment on my own, case by case. I will make a judgment, in accordance with the national interests, on what picture is most ideal for the people in the future."

Referring to the Third Conference of Parties to the UN Framework Convention on Climate Change in Kyoto in December, the prime minister stressed that Japan's proposal for a five percent reduction in UNCLAS SECTION 06 OF 09 TOKYO 009799

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carbon dioxide (CO2) gas emissions (from 1990 levels) was proper and then criticized the EU's (European Union) proposal for a 15 percent (EU) as having problems in the possibility of realization. Also remarking that "If Japan as the chair nation takes a stance of not allowing any change in the wording in its proposal, no conclusion will be reached," he indicated a flexible stance for revising some parts.

(4) Japan, U.S., China Now in New Age -- New Power Game (Part 1): Curtain Rising on Scene of Particular Strategies for Creating a New Order

ASAHI (Page 1) (Full)
November 8, 1997

Major Diplomatic Timetable for Japan, U.S. and
China in November

From 9th
Russian President is to visit China.

From 10th
U.S. Deputy Secretary of State Talbott is to travel
to China.

From 11th
Chinese Premier Li Peng is to visit Japan.

From 12th
Russian Foreign Minister Primakov is to visit
Japan. U.S. Deputy Secretary of State Talbot is to
visit Japan.

From 15th
U.S. Secretary of Defense Cohen is to visit Japan.

From 24th
APEC Summit

A confidential document arrived at the desk of
United States Secretary of Defense Cohen. The date
was October 30, the day after the summit meeting
took place between the U.S. and China at the White
House. The document stated:

1. It is a mistake to expect too much of China in
the improvement of our bilateral relationship with
it. In our dialogue with it, we should go no
farther than to exchange policy views in a
constrained manner; and

2. In order to deepen U.S.-China ties, a solid
Japan-U.S. relationship is indispensable.

Two Types of Security Perspectives Composed

The paper was written at the request of the
Secretary of Defense by former assistant secretary
of defense Armitage, an "Asia expert" who serves as
chairman of the U.S. national defense policy
council, and others. The Secretary's China trip is
approaching. The aim of the paper was how to
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position the U.S. relationship with China in the global U.S. strategy for the post-cold-war period.

Armitage, who was closely engaged in the work of redefining the U.S.-Japan Security Treaty, attaches importance to a triangular relationship among Japan, the U.S. and China with the Japan-U.S. alliance as the axis. This attitude is based on the security perspective that "Japan-U.S. ties are a strategic partnership."

But this "triangular relationship" view does not necessarily form main stream thinking in the U.S. In rivalry with it are the views of former presidential assistant Zbigniew Brezinski and others who suggest holding a "serious strategic dialogue with China" from the standpoint of China being the keystone for the Asia-Pacific region.

These two opposing vectors delicately compose the Asia policy that has been adopted by the Clinton Administration.

"We aim at building a constructive and strategic partnership," declared American and Chinese leaders in their joint statement released after the summit session.

The term "strategic partnership" was employed in April last year by China and Russia when they redefined their ties. Both countries have had close links in military affairs and arms deals. The U.S., by using the same wording, demonstrated it shares interests with China, which will grow into "a superpower in the 21st century." That is because the U.S. has realized that China is a player indispensable if the U.S. is to retain its "unipolar" global strategy.

"We should understand that trade with China will yield prosperity in the U.S. in the future," notes the chairman of Boeing, who has concluded a business talk worth 3 billion dollars with China, a mammoth market. This remark indicates that "partnership" is backed up by actual gains, in other words, the economy.

China Aiming at "Multiporalization"

The Chinese on the other hand takes a different

interpretation of (the strategic partnership). Chinese Foreign Ministry's Public Press Bureau Deputy Director General Tang Guoqiang explains: "It is a partnership resting on the principles of not interfering in domestic affairs but having equal reciprocity." The global order China is aiming at is "multipolarization," and what is surfacing is China's strategy of pulling the U.S. nearer to (multipolarization) through this partnership.

On a "geopolitical Eurasian chess board" (Brezinski), is Japan reduced to being a mere chessman for the U.S. and China? Or is Japan a
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chess player?

Quoting, "What Prime Minister Ryutaro Hashimoto has stated...", President Clinton in his summit talks (with China) referred to Hashimoto's trip to China in September and gave accounts of the new defense cooperation guidelines for Japan and the U.S. in this way: "They do not consider China to be an adversary" and "Neither the U.S. nor Japan will endorse Taiwan's independence."

Is the Taiwan Strait covered by the situations in the areas near Japan as included in the new guidelines? Prior to his trip to China, which was getting more jittery, Prime Minister Hashimoto received the results of consultations among Japanese and American diplomatic officials. They said: "China thinks the new guidelines will be effective to keep Japan from standing on its own feet in the military sphere. It is not possible that China will entirely oppose them," and "If any concerns, they will be whether (the guidelines) will back up Taiwan in a bid for its independence."

Prime Minister Hashimoto during his visit to China stated, "We will not give support to Taiwan's independence," thereby winning appreciation from President Jiang Zemin.

Check More Solidarity of Alliance

Even so, President Jiang, alarmed by the strengthening of the Japan-U.S. alliance, sought to check Japan-U.S. ties in the (U.S.-China) summit talks by taking up "matters that were brought about by Japan in the past." He added: "China will look for ways to have a better relationship with Japan in the future, but we will not forget the lessons learned from history."

After the meeting, the U.S. Government conveyed to the Prime Minister's Official Residence: "The President took no notice of China's attempted tactic to shake U.S.-Japan ties."

The U.S. and China, though leaving rifts in various areas, outlined a "partnership." Japan and Russia at their summit session on the heels of the U.S.-China summit meeting paved the way for the first time for the two countries to conclude a peace treaty agreement.

Japan, the U.S., China and Russia. Until recently, relations between the U.S. and China and those between Japan and Russia had been weak like a broken line, but now after these two summits, their relations are shifting to a solid line. It is not a coincidence that U.S. Deputy Secretary of State Talbott in his tour of Asian countries set for next week will visit the same locations at the same time as key Russian and Chinese officials. The second act for the four-country power game will start soon in Beijing and Tokyo.

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(Japan-U.S.-China relations reporting team)

(To be continued.)

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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 NOVEMBER 13

TOP HEADLINES:

ASAHI: RUSSIA, TOO, CONDUCTED CRITICAL NUCLEAR TESTING;
TWICE LAST YEAR AND THIS YEAR; HIGH-LEVEL OFFICIAL
REVEALS; MAY AFFECT THE CTBT THAT HAS TAKEN EFFECT

NIHON KEIZAI: FORMER JNR'S DEBTS: FISCAL REFORM PANEL'S
POLICY LINE ON REDEMPTION BY FRONTLOADING TREASURY

INVESTMENT AND LOAN; BY SWITCHING BORROWING TO PRIVATE-SECTOR LOANS AT LOWER INTEREST RATES

TOKYO SHIMBUN: TRIPLE LOWS IN TOKYO MARKETS; NIKKEI INDEX RECORDS LOWEST LEVEL OF THIS YEAR; "JAPAN SELLING" SWEEPS THE MARKET (TRANSLATION BELOW)

MAINICHI: BOARD OF AUDIT INTENDS TO ADVISE HEALTH AND WELFARE MINISTRY TO "SEEK REPAYMENT" OF SUBSIDIES GIVEN TO AYA SOCIAL WELFARE GROUP; TO POINT TO IT AS "ILLEGAL MATTER"

YOMIURI: DIPLOMATIC NORMALIZATION BETWEEN JAPAN AND NORTH KOREA; AGREEMENT REACHED TO RESUMPTION OF TALKS AT EARLY DATE; BUT RULING BLOC'S DELEGATION AND KOREAN WORKERS PARTY REMAIN ON DIVERGENT LINES ON THE PROBLEM OF ABDUCTIONS

SANKEI: NORTH KOREA: "SUSPECTED KIDNAPPINGS ARE TRUMPED-UP STORIES; NO ATTENTION PAID TO DELEGATION'S REQUEST; BUT AGREEMENT REACHED ON EARLY RESUMPTION OF TALKS FOR DIPLOMATIC NORMALIZATION

VISITING PREMIER LI PENG LAYS OUT FIVE PRINCIPLES FOR JAPAN-CHINA FRIENDSHIP (MAINICHI - PAGE 2)

CHINA'S PREMIER LI PENG GAVE A SPEECH YESTERDAY BEFORE SEVEN JAPAN-CHINA FRIENDSHIP GROUPS AT WELCOMING RECEPTION IN A TOKYO HOTEL. IN IT, HE POINTED OUT THE NEED TO STRENGTHEN THE BILATERAL RELATIONSHIP, STATING:

"THE DEVELOPMENT OF FRIENDLY TIES BETWEEN CHINA AND JAPAN WILL NOT ONLY BRING FUNDAMENTAL BENEFITS TO THE PEOPLES OF BOTH COUNTRIES, IT WILL CONTRIBUTE ALSO TO THE PEACE AND DEVELOPMENT OF THE WORLD."

IN ADDITION, HE REVEALED THE FOLLOWING FIVE (POLICY) PRINCIPLES:

1. MUTUAL RESPECT AND NON-INTERFERENCE IN DOMESTIC ISSUES;
2. PEACEFUL RESOLUTION OF ISSUES THROUGH DIALOGUE FROM A BROAD POINT OF VIEW;
3. PROMOTION OF MUTUAL UNDERSTANDING THROUGH ENHANCED DIALOGUE;
4. PROGRESS IN ECONOMIC DEVELOPMENT BASED ON MUTUAL BENEFIT; AND
5. REALIZATION OF A FUTURE-ORIENTED FRIENDSHIP THROUGH A PROPER HISTORICAL VIEW.

PREMIER LI ALSO STATED:

"THE TWO NATIONS MUST STRENGTHEN THEIR COORDINATION AND COOPERATION ON REGIONAL AND GLOBAL ISSUES, AND CONTRIBUTE

TO PROGRESS IN PEACE AND DEVELOPMENT IN THE REGION AS WELL AS THE WORLD."

RULING CAMP DELEGATION TO NORTH KOREA: GENERAL AGREEMENT BUT CONFRONTATION ON SPECIFIC ISSUES (MAINICHI - PAGE 2)

(PYONGYANG, NOVEMBER 12, KATSUYOSHI KIYOMIYA) THE RULING UNCLAS SECTION 02 OF 09 TOKYO 009862

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 NOVEMBER 13

BLOC'S DELEGATION AND THE KOREAN WORKERS PARTY (KWP) HELD A MEETING AND AGREED IN PRINCIPLE ON A "GENERAL VIEW" ON RESUMING TALKS FOR DIPLOMATIC NORMALIZATION, BUT ON A "PARTICULAR ISSUE," NAMELY, THE SUSPECTED ABDUCTIONS OF JAPANESE (BY NORTH KOREAN AGENTS), BOTH SIDES WERE FAR APART. STILL, AN UGLY ATMOSPHERE DID NOT DEVELOP AS WAS THE CASE IN THE EIGHTH ROUND OF TALKS FOR DIPLOMATIC NORMALIZATION IN WHICH THE MEMBERS FROM THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (NORTH KOREA) LEFT THE ROOM. (THE MEETING,) AS LDP GENERAL COUNCIL CHAIRMAN YOSHIRO MORI TOLD REPORTERS, "WAS INTENSE BUT NOT HEATED."

IN THE EIGHTH ROUND OF NEGOTIATIONS HELD IN NOVEMBER, 1992, ON THE QUESTION OF LI UN HYE, WHO IS SAID TO HAVE BEEN ENGAGED IN EDUCATING KIM HYON HUI, A FORMER NORTH KOREAN AGENT WHO CAUSED THE KOREAN AIR LINES PLANE EXPLOSION, THE NORTH KOREAN SIDE TOOK OFFENSE, ARGUING, "WE HAVE NO CONNECTION WITH HER," AND NEGOTIATIONS WERE CURTAILED. IN THE MEETING THIS TIME, (THE JAPANESE SIDE) BROUGHT UP THE PROBLEM OF INVESTIGATING THE SUSPECTED ABDUCTION CASES, AN OBSTACLE STANDING IN THE WAY OF BOTH SIDES, WHILE THE NORTH KOREAN SIDE POINTED OUT THE MILITARY COMFORT WOMEN ISSUE. BUT THE MEETING DID NOT FALL INTO AN AWKWARD SITUATION, NOR DID THE NORTH KOREANS LEAVE THE ROOM. THE MEETING CONTINUED IN A "RELATIVELY CALM ATMOSPHERE" (LDP DEPUTY SECRETARY GENERAL HIROMU NONAKA). THIS GAVE A GLIMPSE OF THE CHANGES IN THE ENVIRONMENT SURROUNDING JAPAN AND NORTH KOREA, COMPARED WITH FIVE YEARS AGO, ALTHOUGH THERE ARE SOME DIFFERENCES BETWEEN GOVERNMENT-TO-GOVERNMENT TALKS AND PARTY DIPLOMACY.

COMPARED WITH JAPAN-NORTH KOREA PREPARATORY TALKS HELD IN AUGUST, WHEN NORTH KOREANS SHOWED A STANCE OF EXTENDING COOPERATION FOR THE SEARCH OF UNIDENTIFIED JAPANESE,

THEIR RESPONSE SHOWN THIS TIME BY CALLING THE SUSPECTED ABDUCTIONS A "TRUMPED-UP STORY" IS SOMEWHAT HARSH, BUT THE JAPANESE DELEGATION'S VIEW IS THAT "SINCE WE CANDIDLY POINTED OUT THE SUSPECTED ABDUCTIONS, THE OTHER SIDE, TOO, PERHAPS FRANKLY STATED THEIR OPINION" (FORMER CABINET MINISTER).

UNDER THE POLICY LINE OF SHELIVING THE THREE-PARTY JOINT DECLARATION CONCLUDED AMONG THE LDP, THE JAPAN SOCIALIST PARTY (PREDECESSOR OF THE SOCIAL DEMOCRATIC PARTY (SDP)) AND THE KWP, THE DELEGATION MET WITH NORTH KOREANS. MORI MAINTAINS: "POST-WAR COMPENSATION (AS WAS RECOGNIZED IN THE THREE-PARTY JOINT DECLARATION) SHOULD BE DISCUSSED IN GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS." MEANWHILE THE NORTH KOREAN SIDE STATED ITS PLAN TO BUILD A JAPAN-NORTH KOREA RELATIONSHIP BASED ON THE THREE-PARTY JOINT DECLARATION. BUT IN THE MEETING, (THE OTHER SIDE) DID NOT CONFIRM ANEW THE THREE-PARTY JOINT DECLARATION, SO (THE JAPANESE SIDE) HAS TAKEN IT THAT "THEY INTEND TO LEAVE IT ENTIRELY TO GOVERNMENT-TO-GOVERNMENT TALKS" (MORI). THE DELEGATION WILL COMPILE A "JOINT PRESS RELEASE" ON THE 14TH, BUT OUT OF CONSIDERATION FOR THE PURPOSE OF LAYING THE GROUNDWORK FOR GOVERNMENT-TO-GOVERNMENT TALKS, IT DOES NOT INTEND TO HASTILY REACH AGREEMENT.

-- SDP SECRETARY GENERAL ITO ASKS NORTH KOREANS: "WE WANT TO SEND OUR PARTY'S SOLO DELEGATION EARLY NEXT YEAR"

(PYONGYANG, NOVEMBER 12, AKIKO HORIYAMA) SOCIAL DEMOCRATIC PARTY (SDP) SECRETARY GENERAL SHIGERU ITO MET YESTERDAY KOREAN WORKERS PARTY (KWP) SECRETARY KIM YONG SUN AND ASKED HIM: "WE WOULD LIKE TO SEND OUR PARTY'S SOLO MISSION TO NORTH KOREA EARLY NEXT YEAR." IN ADDITION, SECRETARY GENERAL ITO ON THE SAME DAY SUGGESTED EXCHANGES OF REPORTERS DURING A PLENARY SESSION WITH THE KWP BY SAYING: "EXCHANGES OF REPORTERS BETWEEN THE TWO COUNTRIES ARE IMPORTANT. I WOULD LIKE YOU TO ALLOW UNCLAS SECTION 03 OF 09 TOKYO 009862

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 NOVEMBER 13

JAPANESE REPORTERS TO RESIDE IN PYONGYANG ON A REGULAR BASIS."

DEPUTY SECRETARY TALBOTT MEETS FOREIGN MINISTER PRIMAKOV

IN TOKYO ON UNQS IRAQ RESOLUTION (ASAHI - PAGE 2)

RUSSIAN FOREIGN MINISTER PRIMAKOV, NOW VISITING JAPAN FOR JAPAN-RUSSIA PERIODIC FOREIGN MINISTERIAL CONSULTATIONS, AND U.S. DEPUTY SECRETARY OF STATE TALBOTT, WHO ARRIVED IN JAPAN ON THE 12TH ON HIS ROUND OF VISITS TO ASIAN COUNTRIES, MET IN TOKYO THE SAME EVENING. WITH THE UNITED NATIONS SECURITY COUNCIL BEING SCHEDULED TO TAKE A VOTE SHORTLY ON ITS DRAFT RESOLUTION THAT INCORPORATES ADDITIONAL SANCTIONS ON IRAQ, THE TWO OFFICIALS PRESUMABLY MADE FINAL COORDINATION.

PRIMAKOV WAS ONCE A MIDDLE EAST CORRESPONDENT OF THE PRAVDA, AN ORGAN PAPER OF THE COMMUNIST PARTY OF THE FORMER SOVIET UNION, AND HE HAS A PERSONAL CHANNEL WITH IRAQI PRESIDENT HUSAYN. TALBOTT IS AN EXPERT ON RUSSIAN AFFAIRS AS HE HAS SERVED AS AMBASSADOR IN CHARGE OF FORMER SOVIET UNION AFFAIRS. HE IS ALSO A CLOSE AIDE OF PRESIDENT CLINTON.

IT IS QUITE RARE FOR THE U.S. AND RUSSIA TO HOLD A MEETING OF THEIR HIGH-RANKING OFFICIALS IN TOKYO. BOTH PRIMAKOV AND TALBOTT HAD VISITED CHINA BEFORE THEIR VISITS TO JAPAN, AND THEIR MEETING HERE CAN BE CALLED AN EVENT THAT SYMBOLIZES THE ACTIVATION OF QUADRILATERAL DIPLOMACY AMONG JAPAN, THE U.S., CHINA, AND RUSSIA.

MEETING BETWEEN DEPUTY SECRETARY TALBOTT AND FOREIGN MINISTER OBUCHI (NIHON KEIZAI - PAGE 2)

FOREIGN MINISTER KEIZO OBUCHI MET WITH U.S. DEPUTY SECRETARY OF STATE TALBOTT FOR ABOUT 20 MINUTES AT THE FOREIGN MINISTRY'S IIKURA GUESTHOUSE IN TOKYO ON THE NIGHT OF THE 12TH. THE DEPUTY SECRETARY EXPLAINED ADDITIONAL MEASURES TO BE TAKEN BY THE U.S. AGAINST IRAQ, INCLUDING THE POSSIBLE USE OF ARMED FORCE, AND HE AGREED THAT JAPAN AND THE U.S. SHOULD JOIN TOGETHER TO COPE WITH THE ISSUE IN THE UNITED NATIONS SECURITY COUNCIL. PRIOR TO THIS MEETING, DEPUTY SECRETARY TALBOTT MET WITH FOREIGN VICE MINISTER YANAI, AND THERE STATED: "IF THE UNITED STATES' (TRADE) DEFICIT WITH JAPAN INCREASES CONSIDERABLY AT THE CURRENT PACE, I'M CONCERNED ABOUT ILL EFFECTS POSSIBLY ON OUR ENTIRE BILATERAL RELATIONSHIP."

TALBOTT EXPRESSES FLEXIBILITY ON OBLIGATIONS OF DEVELOPING COUNTRIES TOWARD GLOBAL WARMING (SANKEI - PAGE 2)

U.S. DEPUTY SECRETARY OF STATE TALBOTT, NOW VISITING JAPAN, MET WITH PARLIAMENTARY FOREIGN VICE MINISTER MASAHIKO KOMURA IN TOKYO ON THE NIGHT OF THE 12TH. DURING HIS MEETING WITH KOMURA, TALBOTT TOUCHED ON HOW TO HANDLE DEVELOPING COUNTRIES, ONE OF THE ISSUES PERTAINING TO A CONFERENCE TO BE HELD IN KYOTO IN DECEMBER ON GLOBAL WARMING PREVENTION (COP3), AND STATED: "IT IS NECESSARY TO ESTABLISH A PRINCIPLE THAT WILL INVOLVE DEVELOPING COUNTRIES CONTINUOUSLY OVER THE FUTURE." WITH THIS, TALBOTT INDICATED A FLEXIBLE STANCE DIFFERING FROM THE

U.S. GOVERNMENT'S USUAL STANDPOINT OF SEEKING TO REQUIRE DEVELOPING COUNTRIES' PARTICIPATION.

FURTHERMORE, DEPUTY SECRETARY OF STATE TALBOTT PROMISED COOPERATION FOR A SUCCESS TO JAPAN, THE HOST NATION TO PRESIDE OVER THE CONFERENCE, REMARKING THAT "THE KYOTO CONFERENCE MUST NOT END IN A FAILURE -- NOT ONLY FOR THE SAKE OF JAPAN AND THE UNITED STATES BUT ALSO THE WORLD." HOWEVER, HE ADDED, "IT'S IMPORTANT TO HAVE A PRAGMATIC GOAL." REGARDING THE NUMERICAL TARGETING OF GREENHOUSE GAS CUTS, TALBOTT AVOIDED CLARIFYING WHETHER THE U.S. UNCLAS SECTION 04 OF 09 TOKYO 009862

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 NOVEMBER 13

WOULD MAKE A CONCESSION FROM THE REDUCTION OF ZERO PERCENT FROM 1990 LEVELS.

TOKYO MARKETS HIT BY TRIPLE DIP YESTERDAY
(TOKYO SHIMBUN - TOP PLAY)

THE TOKYO STOCK EXCHANGE (TSE) YESTERDAY SAW A FINANCIAL STOCK SELLING FRENZY, RESETTING A YEAR-TO-DATE RECORD LOW WITH AVERAGE STOCK PRICES (225 ISSUES) LISTED ON THE FIRST SECTION CLOSING AT 15,423.17 YEN, DOWN BY 433.06 YEN COMPARED WITH THE PREVIOUS DAY. THE YEN EXCHANGE RATE AND BOND PRICES FOLLOWED SUIT, LEADING TO A TRIPLE DIP. "JAPAN-SELLING" THEN ENCOMPASSED THE FINANCIAL MARKET.

FINANCIAL STOCKS FIRST CAME UNDER SELLING AT THE TSE OUT OF THE CONCERN THAT LOANS RENDERED BY JAPANESE BANKS TO ASIAN COUNTRIES MIGHT TURN SOUR DUE TO TUMBLING STOCK PRICES IN HONG KONG. STOCK PRICES OF 52 COMPANIES AMONG THE 100 THAT ARE LISTED ON THE FIRST SECTION OF THE TSE SUFFERED A DIP. IN ADDITION, AS AN AFTERMATH OF THE BANKRUPTCY OF SANYO SECURITIES STOCK PRICES OF 15 COMPANIES OUT OF THE 20 THAT ARE LISTED ON THE FIRST SECTION SUFFERED A PLUNGE.

IN RESPONSE, YEN'S SLIDE PROGRESSED AT THE TOKYO FOREIGN EXCHANGE MARKET. AS OF 5:00 P.M., MOST OF THE DAY'S TRADING ENDED AT 125.72 - 75 TO THE DOLLAR, WITH THE YEN LOSING 0.85 YEN AGAINST THE DOLLAR VIS--VIS THE PREVIOUS DAY.

IN THE MEANTIME, THE BOND MARKET SAW A CONTINUOUS DROP FOR THREE DAYS RUNNING WITH THE LARGE-LOT TRADING OF BENCHMARK ISSUES -- 182ND GOVERNMENT BONDS -- AT THE TSE CLOSING AT 108.95 YEN, DOWN BY 0.24 YEN FROM THE PREVIOUS DAY. INTEREST RETURN ROSE TO 1.705 PERCENT, UP 0.030 PERCENTAGE POINTS, REACHING THE 1.7 PERCENT LEVEL AFTER A HIATUS OF ABOUT THREE WEEKS. THE TREND FOR A FLIGHT OF CAPITAL STEMMING FROM UNCERTAINTY OVER THE FINANCIAL SYSTEM WAS FELT MORE CLEARLY.

GOVERNMENT HITS BUREAUCRATIC WALL IN COMPILING ECONOMIC PACKAGE FOR RELEASE ON THE 18TH (ASAHI - PAGE 11)

THE GOVERNMENT IS NOW FINDING IT DIFFICULT TO FINALIZE THE ECONOMIC STIMULUS PACKAGE WHICH IS DUE OUT ON THE 18TH. THE PACKAGE IS EXPECTED TO INCLUDE AS MEASURES NOT REQUIRING FISCAL DISBURSEMENTS: THE UTILIZATION OF FISCAL INVESTMENT AND LOAN PROGRAM FUNDS; THE EFFECTIVE USE OF LAND BY EASING REGULATIONS, AND PROMOTION OF HOUSING CONSTRUCTION. BUT RELEVANT GOVERNMENT MINISTRIES AND AGENCIES HAVE FIERCELY REACTED TO SUCH SPECIFIC MEASURES AS DEREGULATION OF CONVERSION OF FARM LAND. ECONOMIC PLANNING AGENCY (EPA) DIRECTOR GENERAL KOJI OMI SAID DETERMINEDLY, "BASED ON THE LIBERAL DEMOCRATIC PARTY'S MEASURES, WE WILL COME UP WITH MORE EFFECTIVE MEASURES UNDER THE LEAD OF POLITICIANS." BUT NEGOTIATIONS ARE NOT LIKELY TO GO SMOOTHLY.

IN ITS MONTHLY ECONOMIC REPORT RELEASED ON THE 14TH, THE GOVERNMENT DESCRIBED THE PRESENT ECONOMIC SITUATION AS "BEING IN THE DOLDRUMS." AFTER THE GOVERNMENT OFFICIALLY RECOGNIZES THE ECONOMIC SLUMP, IT WILL THEN UNVEIL THE ECONOMIC PACKAGE ON THE 18TH. UNDER THIS CIRCUMSTANCE, SOME EPA OFFICIALS ARE STEPPING UP EFFORTS SO THAT "THE ANNOUNCEMENT OF THE PACKAGE WOULD NOT PROMPT MARKET INVESTORS TO SELL OUT OF DISAPPOINTMENT." BUT RELEVANT GOVERNMENT OFFICES ARE NOT NECESSARILY BEING COOPERATIVE.

A TYPICAL CASE IS THE MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES (MAFF). THE MINISTRY HAS BEEN TOLD TO ABOLISH OR RELAX REGULATIONS RELATED TO CONVERSION OF FARM LAND. AN EPA OFFICIAL WAS OVERHEARD SAYING, "MAFF UNCLAS SECTION 05 OF 09 TOKYO 009862

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 NOVEMBER 13

OFFICIALS HAVE NO INTENTION EVEN TO MEET WITH US. IT IS HARD TO BELIEVE WE BOTH ARE THE SAME KASUMIGASEKI GOVERNMENT OFFICIALS."

ONCE IMPETUS IS GIVEN TO THE SLUGGISH HOUSING CONSTRUCTION INDUSTRY, IT WILL SPILL OVER TO RELATED BUSINESSES, SUCH AS FURNITURE AND HOUSEHOLD ELECTRIC APPLIANCES, GRADUALLY LEADING THE ECONOMY TO A RECOVERY TRACK. YET, NEGOTIATIONS ARE RUNNING INTO A ROAD BLOCK WITH THE MINISTRY OF CONSTRUCTION (MOC) OVER REVIEW OF VARIOUS REGULATIONS THAT HAVE BLOCKED RECONSTRUCTION OF WOODEN HOUSES AND CONSTRUCTION OF TALLER BUILDINGS IN URBAN AREAS. PRIME MINISTER RYUTARO HASHIMOTO IN EARLY THIS WEEK CALLED IN MOC MINISTER TSUTOMU KAWARA AND OTHER CABINET MINISTERS CONCERNED AND AGAIN INSTRUCTED THEM IMPATIENTLY TO "ADOPT A NEW MIND-SET AND GREATER INGENUITY TO PROMOTE THE EFFECTIVE USE OF LAND AND CREATE HIGH-QUALITY URBAN DISTRICTS."

FREE TRADE ZONE FOR OKINAWA MAY INCLUDE NAGO CITY BUT NOT THE ENTIRE PREFECTURE: LDP (NIHON KEIZAI - PAGE 5)

THE LIBERAL DEMOCRATIC PARTY (LDP) CONVENED A JOINT SESSION YESTERDAY OF THE TAX SYSTEM RESEARCH COUNCIL'S SUB-COMMITTEE (CHAIRLED BY SADANORI YAMANAKA) AND THE OKINAWA PROMOTIONAL COMMITTEE (CHAIRLED BY SABURO OKABE) AND DISCUSSED THE QUESTION OF A FREE TRADE ZONE AIMED AT PROMOTING INDUSTRIES IN OKINAWA PREFECTURE. AS A RESULT, THEY SET A POLICY LINE THAT AS AREAS TO BE COVERED BY THE FREE TRADE ZONE BEFORE ANY OTHER DISTRICT, THE WEST COAST OF NAGO CITY LOCATED IN THE NORTHERN PART OF OKINAWA WOULD BE INCLUDED. ANOTHER CANDIDATE WILL BE THE DISTRICT AROUND NAKAGUSUKU BAY ON THE MAIN ISLAND. BUT ON THE CONCEPT OF PLACING THE ENTIRE PREFECTURE UNDER A FREE TRADE ZONE AS IS REQUESTED BY OKINAWA PREFECTURE WITH THE YEAR 2000 AS THE TARGET YEAR, THE PANELS AGREED THAT IT WOULD BE DIFFICULT TO ADOPT SUCH A CONCEPT.

NAGO CITY IS WAVERING ON WHETHER TO AGREE OR DISAGREE TO CONSTRUCTION OF AN ALTERNATIVE HELIPORT IN RESPONSE TO THE RETURN OF THE UNITED STATES FORCES' FUTENMA AIR STATION. SINCE DESIGNATING THE CITY AS AN AREA SUBJECT TO THE FREE TRADE ZONE WOULD HAVE AN EFFECT ON THE LOCAL ECONOMY, THERE SEEMS TO BE THE INTENTION OF MAKING USE OF SUCH DESIGNATION AS A FACTOR TO PERSUADE RESIDENTS.

ON THE QUESTION OF TAX PREFERENTIAL MEASURES, THE JOINT SESSION CONFIRMED THAT SUCH MEASURES WOULD BE APPLIED ONLY TO THE AREAS COVERED BY THE FREE TRADE ZONE. FROM NOW ON, SUCH ITEMS AS ADOPTION OF A CORPORATE TAX CUT RATE, EXEMPTION FROM THE FIXED ASSETS TAX AND ADOPTION OF THE INVESTMENT TAX CUT WILL BE EXAMINED. ON THE OTHER HAND, HOWEVER, STEPS TO PREVENT PEOPLE FROM USING THIS FREE TRADE ZONE AS A MEANS FOR TAX EVASION WILL ALSO BE TAKEN, SUCH AS LIMITING THE SCOPE OF APPLICATION OF THESE TAX MEASURES TO FIRMS WITH THE STAFF OF 20 OR MORE, WHICH CAN CONTRIBUTE TO EMPLOYMENT IN OKINAWA PREFECTURE.

LOWERING THE INCOME TAX, THE RESIDENTIAL TAX AND THE CONSUMPTION TAX IN THIS TRADE ZONE WILL BE PUT ON THE SHELF.

TROUBLE EXPECTED ON 17TH WHEN FINAL COMPILATION OF HASHIMOTOQS REFORM PROPOSALS START (YOMIURI - PAGE 3)

THE GOVERNMENT-SPONSORED CONFERENCE ON ADMINISTRATIVE REFORM (CHAIRER BY PRIME MINISTER HASHIMOTO) (CAR), WHICH IS NOW ENDEAVORING TO DRAFT A BLUEPRINT FOR AN ADMINISTRATIVE SYSTEM FOR THE UPCOMING 21ST CENTURY, AT ITS PLENARY SESSION HELD YESTERDAY COMPLETED A SCRUTINY INTO THE POINTS OF DISCUSSIONS FOR THE LAST-STAGE INTENSIVE DEBATE TO BE HELD FOR FOUR DAYS FROM THE 17TH. THE CONFERENCE PLANS TO MAKE SOME REVISIONS TO THE UNCLAS SECTION 06 OF 09 TOKYO 009862

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 NOVEMBER 13

CENTRAL GOVERNMENT AGENCY REALIGNMENT PROPOSAL CALLING FOR A ONE-OFFICE AND 12-MINISTRIES-AND-AGENCY SYSTEM, WHICH IT INCLUDED IN ITS INTERIM REPORT ISSUED IN SEPTEMBER, BASED ON COORDINATION MADE BETWEEN THE GOVERNMENT AND THE LIBERAL DEMOCRATIC PARTY (LDP). REVISIONS WOULD INCLUDE: (1) THE THREE POSTAL SERVICES SHOULD BE TREATED AS A PACKAGE UNDER A NEW TYPE OF "PUBLIC CORPORATION;" AND (2) A BREAKUP OF THE RIVER BUREAU FROM THE CONSTRUCTION MINISTRY IS TO BE PUT ON THE BACK BURNER. HOWEVER, THE VIEW CALLING FOR KEEPING THE THREE POSTAL SERVICES UNDER GOVERNMENT CONTROL AND ESTABLISHING A "TRANSPORT AND DISTRIBUTION MINISTRY" IS STILL BEING HEARD IN THE LDP. THE SOCIAL DEMOCRATIC PARTY (SDP) AND THE SAKIGAKE ARE CALLING FOR A COMPLETE BREAKUP OF THE FISCAL AND FINANCIAL FUNCTIONS. UNDER SUCH CIRCUMSTANCES, HOW "HASHIMOTO'S ADMINISTRATIVE REFORM" WILL FIND A SETTLEMENT LINE IS STILL NON-TRANSPARENT. PRIME MINISTER HASHIMOTO HAS CLARIFIED HIS INTENTION TO MAKE A FINAL JUDGMENT ON A FINAL REPORT BY THE CAR ON HIS OWN RESPONSIBILITY. THE NEXT ONE WEEK WILL BE THE GREATEST TURNING POINT REGARDING HOW FAR ENVIRONMENTAL CONSOLIDATION IN THE GOVERNMENT AND THE RULING CAMP WILL PROCEED.

THE INTENSIVE DEBATE BY THE CAR IS SCHEDULED TO BE HELD AT A HOTEL IN TOKYO FROM THE 17TH TO THE 19TH, AND ON THE 20TH AT THE PRIME MINISTER'S RESIDENTIAL OFFICE. THE

ARRANGEMENT IS: DISCUSSIONS WILL BE BOILED DOWN, BASED ON THE DRAFT FINAL REPORT PLAN PREPARED BY ACTING CHAIRMAN OZATO, MANAGEMENT AND COORDINATION AGENCY DIRECTOR GENERAL, AND CONDENSATION OF VIEWS WILL BE PRACTICALLY OVER ON THE 20TH. THE FORMAL ANNOUNCEMENT OF THE FINAL REPORT IS EXPECTED TO BE MADE ON DECEMBER 3, BUT THE CAR INTENDS TO AIM AT A "SIMULTANEOUS SETTLEMENT" WITH THE GOVERNMENT AND THE RULING PARTY, BY COMPLETING CONSOLIDATING OPINIONS WITH THE RULING CAMP.

THE GOVERNMENT, THEREFORE, WANTS TO ENDEAVOR TO TIGHTEN SOLIDARITY WITHIN THE CABINET, BY OBTAINING APPROVAL FOR LEAVING THE COMPILATION OF THE FINAL REPORT TO THE PRIME MINISTER AT THE INFORMAL CABINET MINISTERIAL MEETING TO BE HELD ON THE 14TH. HOWEVER, CONSOLIDATION OF VIEWS ON THE ISSUE IS NOW SUFFERING A SETBACK, AS SEEN IN THAT AT THE INFORMAL CABINET MEETING HELD ON THE 11TH, POSTS AND TELECOMMUNICATIONS MINISTER JIMI ONCE AGAIN CALLED FOR KEEPING THE THREE POSTAL SERVICES UNDER GOVERNMENT CONTROL. SOME VIEW THAT APPROVAL FOR LEAVING THE MATTER TO THE PRIME MINISTER WILL NOT BE ABLE TO BE OBTAINED BEFORE THE INFORMAL CABINET MINISTERIAL MEETING ON THE 18TH.

LDP POSTPONES DECISION ON INDEPENDENT AGENCY FOR POSTAL SERVICES (MAINICHI - PAGE 2)

THE LIBERAL DEMOCRATIC PARTY (LDP) ADMINISTRATIVE REFORM PROMOTION HEADQUARTERS (CHAIRMAN BY KABUN MUTO) ON THE 12TH REACHED AN AGREEMENT IN PRINCIPLE TO DROP THE IDEA OF ESTABLISHING AN INDEPENDENT ADMINISTRATIVE AGENCY FOR THE THREE POSTAL SERVICES AND TO INSTEAD INSTITUTE A "POSTAL SERVICES AGENCY" AS AN EXTERNAL ORGAN ATTACHED TO A NEW "GENERAL AFFAIRS MINISTRY." THE STATUS OF ITS EMPLOYEES WILL BE TREATED AS CIVIL SERVANTS.

THE GOVERNMENT'S ADMINISTRATIVE REFORM CONFERENCE, HOWEVER, HAS BEEN LOOKING FOR WAYS TO ESTABLISH A NEW TYPE OF "PUBLIC CORPORATION" IN BETWEEN "PRIVATE" AND "STATE RUN." ROCKY DEVELOPMENTS ARE EXPECTED DURING COORDINATION.

EARLIER, THE ADMINISTRATIVE REFORM CONFERENCE HAD PRODUCED AN INTERIM REPORT THAT CALLED FOR PARTIAL PRIVATIZATION OF THE THREE POSTAL SERVICES. THE IDEA OF ESTABLISHING AN INDEPENDENT AGENCY HAS BEEN STUDIED AS A UNCLAS SECTION 07 OF 09 TOKYO 009862

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 NOVEMBER 13

COMPROMISE PLAN BETWEEN THE POSTAL MINISTRY AND THE LDP THAT HAD REACTED STRONGLY TO THE INTERIM REPORT. THE LDP'S ADMINISTRATIVE REFORM HEADQUARTERS HAS INDICATED THAT IT WOULD LOOK INTO THE "TRANSPORT AND COMMUNICATIONS MINISTRY" OPTION APART FROM THE POSTAL PROBLEM. (HIROKO ARITA)

LDP TO KEEP POSTAL SERVICES UNDER STATE CONTROL
(TOKYO SHIMBUN - PAGE 1)

THE ADMINISTRATIVE REFORM PROMOTION HEADQUARTERS (ARPH) OF THE LIBERAL DEMOCRATIC PARTY (LDP) YESTERDAY STARTED LOOKING INTO A POSSIBILITY OF ESTABLISHING A POSTAL ADMINISTRATIVE AGENCY WHICH WOULD ADMINISTER THE THREE POSTAL SERVICES, A SPOTLIGHT ISSUE IN THE RESTRUCTURING OF THE CENTRAL GOVERNMENT OFFICES, AS WELL AS OF PLACING THAT AGENCY AS AN EXTERNAL AGENCY UNDER A GENERAL AFFAIRS MINISTRY, WHICH IS PLANNED TO BE SET UP BY INTEGRATING THE PRESENT HOME AFFAIRS MINISTRY AND THE MANAGEMENT AND COORDINATION AGENCY. FINAL COORDINATION HAD BEEN CARRIED OUT BETWEEN THE ARPH AND THE CONFERENCE ON ADMINISTRATIVE REFORM (CAR; CHAIRED BY PRIME MINISTER RYUTARO HASHIMOTO) SO AS TO BRING THE POSTAL SERVICES UNDER THE CONTROL OF AN INDEPENDENT ADMINISTRATIVE AGENCY. REVERSING THAT NOTION, THE ARPH HAS CHOSEN THE IDEA OF MAINTAINING THE THREE POSTAL SERVICES AS A STATE-RUN OPERATION. THE PANEL APPARENTLY HAS BEEN INFLUENCED BY THE LDP'S POSTAL POLICY CLIQUES IN THE DIET, WHO HAVE CALLED FOR "SUSTAINING THE POSTAL SERVICES AS A STATE OPERATION." THE CAR HAS NOW BEEN DRIVEN INTO A DIFFICULT SITUATION.

THE CAR IN ITS INTERIM REPORT COMPILED IN SEPTEMBER PROPOSED PRIVATIZING A PORTION OF THE THREE POSTAL SERVICES. HOWEVER, THE "POSTAL ADMINISTRATION FAMILY," WHICH INCLUDES THE MINISTRY OF POSTS AND TELECOMMUNICATIONS (MPT), ASSOCIATION OF NATIONAL POST OFFICE OFFICIALS, AND MPT'S LABOR UNION, WAS FIERCELY OPPOSED TO THE INTERIM REPORT. BECAUSE OF THIS, THE GOVERNMENT AND THE LDP HAD CONTINUED COORDINATION WORK ON THE DIRECTION OF CREATING AN INDEPENDENT ADMINISTRATIVE AGENCY, WHICH WOULD NOT BE A STATE-RUN ORGANIZATION TECHNICALLY. BUT THOSE WHO WISH TO MAINTAIN THE STATE-OPERATED POSTAL SERVICES WORRY THAT AN INDEPENDENT AGENCY MIGHT TURN TO BE A PRIVATE COMPANY. SO THEY HAVE BEEN DESPERATELY FIGHTING FOR A ROLLBACK, WHILE EFFORTS TO COMPILE A FINAL REPORT RESTRUCTURING CENTRAL GOVERNMENT OFFICES IS NOW HEADING FOR THE HOME STRETCH.

MEANWHILE, AT A MEETING OF THE CAR LATE YESTERDAY, THE MPT SUBMITTED AN OPINION PAPER THAT STIPULATES THAT THE THREE POSTAL SERVICES SHOULD BE ADMINISTERED BY ONE "MINISTRY." TOWARD THE CAR'S PROPOSAL THAT DATA-COMMUNICATION PROMOTIONAL SECTOR BE COME UNDER THE CONTROL OF AN INDUSTRY MINISTRY, AND THAT RADIO BE

CONTROLLED BY A COMMUNICATIONS AND BROADCASTING COMMITTEE, THE PAPER SEEKS THAT THEY BE ADMINISTERED AS ONE BODY.

IN A PRESS BRIEFING YESTERDAY IN TOKYO, LDP POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN TAKU YAMASAKI REFERRED TO THE QUESTION OF WHETHER TO SEPARATE OFF THE DATA-COMMUNICATIONS AREA AND THE RADIO CONTROL SECTOR. HE THEN INDICATED HIS OUTLOOK THAT THERE MIGHT BE A REVIEW, SAYING "I HAVE NEVER HEARD OPINION SUPPORTING SUCH AN IDEA IN OUR PARTY. I THINK CHANCES ARE HIGH THAT THEY WILL BE OPERATED TOGETHER."

PRIME MINISTER ENCIRCLED BY POSTS AND TRANSPORT MINISTRIES ON FATE OF POSTAL SERVICES ISSUE
(MAINICHI - PAGE 2)

A TUG-OF-WAR, NOW GOING ON BETWEEN THE GOVERNMENT AND THE RULING CAMP OVER THE HANDLING OF DATA-COMMUNICATIONS
UNCLAS SECTION 08 OF 09 TOKYO 009862

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 NOVEMBER 13

ADMINISTRATION, NOW IN THE SPOTLIGHT IN THE CENTRAL GOVERNMENT OFFICES REFORM PLAN, HAS HEATED UP. REGARDING THE THREE POSTAL SERVICES, THE PREDOMINANT VIEW IN THE LIBERAL DEMOCRATIC PARTY (LDP) IS TO KEEP THEM UNDER STATE CONTROL. IN ADDITION, A MOVE HAS BEEN SPREADING IN THE LDP CALLING FOR ESTABLISHING A NEW "TRANSPORT (TRAFFIC) AND COMMUNICATIONS MINISTRY" TO TAKE OVER THE DATA-COMMUNICATIONS FUNCTIONS OF THE MINISTRY OF POSTS AND TELECOMMUNICATIONS (MPT). PRIME MINISTER RYUTARO HASHIMOTO CANNOT AFFORD TO CAVE IN TO SUCH A MOVE SINCE BOTH IDEAS MIGHT LEAD TO A MAJOR ALTERATION OF THE ADMINISTRATIVE REFORM CONFERENCE'S INTERIM REPORT. NEVERTHELESS, THE NET ENCIRCLING THE PRIME MINISTER IS BEING TIGHTENED.

THE "TRANSPORT, COMMUNICATIONS MINISTRY" CONCEPT THAT HAS ARISEN IN THE LDP IS AN IDEA TO PLACE THE THREE POSTAL SERVICES UNDER THE CONTROL OF A NEW MINISTRY. THE INTERIM REPORT PRODUCED BY THE ADMINISTRATIVE REFORM CONFERENCE SUGGESTED THAT MPT'S FUNCTIONS BE SHIFTED TO A NEW "GENERAL AFFAIRS MINISTRY" AND AN "INDUSTRY MINISTRY." BUT WITH THE IDEA OF INSTITUTING A "TRANSPORT, COMMUNICATIONS MINISTRY," THE SPLITTING AND

DISMANTLING OF THE MPT CAN BE AVOIDED. THE MPT IS OF COURSE IS EAGER TO REALIZE THIS OPTION. THE SOCIAL DEMOCRATIC PARTY (SDP) AND SAKIGAKE PARTY ARE IN ACCORD WITH THE LDP REGARDING THIS ISSUE.

BUT IT WAS THE PRIME MINISTER HIMSELF THAT LED THE ARGUMENT TO SPLIT THE MPT THAT WENT INTO THE INTERIM REPORT. SPECIFICALLY, THE INTERIM REPORT CALLED FOR: 1) SHIFTING THE CONTROL OF RADIO WAVES TO AN ADMINISTRATIVE COMMISSION (SOMETHING SIMILAR TO THE FAIR TRADE COMMISSION) IN ORDER TO PREVENT ARBITRARY PRACTICES, AND 2) ESTABLISHING AN "INDUSTRY MINISTRY" RESPONSIBLE FOR INDUSTRIAL PROMOTION, SUCH AS INFORMATION DEVELOPMENT.

APPROVING A "TRANSPORT, COMMUNICATIONS MINISTRY" WOULD DESTROY THE "ONE OFFICE, 12 MINISTRIES AND AGENCIES" CONCEPT AND WOULD RESULT IN AN INCREASE IN THE NUMBER OF CABINET MINISTERS. AS A RESULT, A COMPROMISE PLAN OF NOT INSTALLING A CABINET MINISTER IN THE NATIONAL PUBLIC SAFETY COMMISSION HAS BEGUN TO BE TAKEN UP. AROUND THAT TIME, ON THE 11TH, NATIONAL POLICE AGENCY DIRECTOR GENERAL YUKO SEKIGUCHI CALLED ON MANAGEMENT AND COORDINATION AGENCY DIRECTOR GENERAL SADATOSHI OZATO.

A DOMINANT VIEW NOW IS THAT VARIOUS MEMBERS WILL BEGIN TO MAKE MOVES AFTER THE 17TH, WHEN THE ADMINISTRATIVE REFORM COUNCIL WILL BEGIN INTENSIVE DISCUSSIONS.
(HISAE UENO)

VICE-MINISTER LEVEL U.S.-JAPAN AVIATION TALKS START TOMORROW (MAINICHI - PAGE 11)

(WASHINGTON, NOVEMBER 12, TOSHIRO HARA) IN THE STALEMATED JAPAN-UNITED STATES CIVIL AVIATION DISPUTE, OFFICIAL VICE MINISTER-LEVEL TALKS WILL BE HELD IN SAN FRANCISCO ON THE 14TH AND 15TH. IN THE PAST SESSIONS, ALTHOUGH BOTH SIDES WERE ABLE TO SEE SOME PROGRESS, THEY STILL REMAIN FAR APART ON SUCH ISSUES AS BEYOND RIGHTS (RIGHT TO FLY BEYOND THE OTHER COUNTRY TO THIRD COUNTRIES) AND HOW TO HANDLE JOINT OPERATION (CODE SHARING). THE U.S. ALSO HAS INSISTED ON CREATING MORE LANDING SLOTS AT NARITA AND HANEDA AIRPORTS.

DISCUSSION WILL BE FOCUSED ON THE ABOVE THREE ISSUES, BUT A SETTLEMENT CAN HARDLY BE EXPECTED TO BE REACHED IN THE UPCOMING SESSION. THE CIVIL AVIATION ISSUE WILL LIKELY ALSO BE TAKEN UP DURING THE JAPAN-U.S. SUMMIT MEETING TO BE HELD ON THE OCCASION OF THE ASIA-PACIFIC ECONOMIC COOPERATION (APEC) FORUM IN VANCOUVER, CANADA, AT THE END OF THIS MONTH.

UNCLAS SECTION 09 OF 09 TOKYO 009862

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

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FLT/PA; COMNAVFORJAPAN/PA.

E.O. 12958: N/A

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 13

ON BEYOND RIGHTS, THE U.S. HAS CALLED FOR UNLIMITED
RIGHTS, WHEREAS JAPAN HAS INSISTED ON THE NEED TO SET A
CAP ON THE NUMBER. REGARDING JOINT OPERATION, JAPAN HAS
APPROVED COOPERATION BETWEEN JAPANESE AND AMERICAN
CARRIERS BUT THE GOVERNMENT IS RELUCTANT TO A JOINT
OPERATION BY THIRD COUNTRY CARRIERS OR BY AIRLINES OF THE
SAME COUNTRY, CITING THE REASON THAT SUCH OPERATIONS WILL
TURN OUT TO BRING ABOUT MORE FAVORABLE CONDITIONS FOR
U.S. CARRIERS, WHICH HAVE THE EDGE IN TERMS OF ROUTES AND
COMPETITIVENESS. REGARDING THE ISSUE OF LANDING SLOTS,
AMERICAN COMPANIES HAVE CALLED FOR MORE ROUTES BETWEEN
AMERICAN POINTS AND NARITA AIRPORT, WHICH HAVE HIGH
PASSENGER LOAD RATES. CRANE

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SUBJ: JAPANESE DAILY PRESS SUMMARY 11/14/97

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UNCLAS SECTION 01 OF 11 TOKYO 009926

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SUBJECT: JAPANESE DAILY PRESS SUMMARY 11/14/97

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(2) Will a "Depression" Hit Japan? What Countermeasures Can Be Taken? (Part 2) -- With a Drop in Exports, Small Corporations Find No Way out

(3) Keizai Kyoshitsu Column by Tokyo University Professor Takeshi Sasaki (first of a two-part series): Prospects of Japan and U.S.; Focus Now on How to Get Over "a Fragile Japan"

(4) MAGAZINE ARTICLE: Administrative Reform: Ministry of Home Affairs Has Started Fight to Retain Itself (Even After Restructuring the Central Government Offices)

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(1) Security Alliance Is Coming to Town -- Defense Cooperation in Progress (Part 1): Bilateral Integration Steadily under Way throughout Japan; Joint Exercises Tightly Scheduled Ahead; "Warranty" Given under New Guidelines

ASAHI (Page 35) (Full)
November 10, 1997

The Sea of Japan stretches across to the west of Tappizaki Point, Aomori Prefecture.

The Kirishima, an Aegis ship of the Maritime Self-Defense Force, was heading east for the Strait of Tsugaru. The MSDF ship is equipped with most advanced radar systems against airborne attacks.

On the afternoon of November 8, a war game was begun at the command post in the Kirishima, with the blue room lights coming on. On the visual screen, which is one meter square in size, there were marks indicating vessels and aircraft belonging to the MSDF or the U.S. Navy.

The simulation was being conducted on the screen, but a nearby cruiser of the U.S. Navy launched missiles and destroyed an enemy plane that was nearing the Kirishima as its target to attack. An MSDF staff officer said, "We communicate over the radio to coordinate which side is to fire."

The MSDF is now carrying out naval maneuvers, which started on November 6, concurrently as Japan-U.S. joint training exercises conducted for the first time after a new set of guidelines for bilateral defense cooperation was worked out. It was a simulated scene of anti-air warfare (AAW) training in the course of such maneuvers.

On the early morning of November 9, the U.S. Navy cruiser, after passing through the Strait of Tsugaru, was refueled at sea by an MSDF supply
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ship.

The newly adopted set of guidelines has incorporated fueling services for U.S. naval vessels in Japan's support for U.S. armed forces in times of emergency in areas surrounding Japan. In fact, however, such seaborne fueling services have been continued in joint training since 1984.

"If we repeatedly engage in ordinary training, we will be able to make it without a hitch even in times of emergency," an MSDF officer so explained as if to endorse the new guidelines as what ratifies the realities.

Now, a series of bilateral training exercises has been conducted in sequence for land, sea, and air defense cooperation. On November 3, the GSDF started training with U.S. Marine troops at its Sekiyama maneuver range in Niigata Prefecture. Another (ground) training started on November 4 also at the Aibano range in Shiga Prefecture. In the meantime, the ASDF also has started training with U.S. forces in the offing of Misawa Air Base in Aomori Prefecture and in some other areas. On November 19, the MSDF and the U.S. Naval Forces Japan are scheduled to start their special minesweeping exercises in the Sea of Hyuga off Miyazaki Prefecture.

The Sekiyama range is situated at the foot of Mt. Myoko.

The American soldiers, camouflaging their faces with brown and green paints, were sneaking up to enemy troops through the pampas grass that grew taller than their height. A GSDF tank in the rear fired blank shots to back them up.

The GSDF and the U.S. Marines from Okinawa are now in training, which is called "Forest Right '98." The U.S. Marines leased six civilian trucks and have carried materials and equipment to the range for training use. The new guidelines have incorporated transport support with the use of civilian cooperation, but such support also has already been conducted on a routine basis.

The Aibano range commands a close view of Lake Biwa.

Heavy sounds like thunder rolling in the distance reverberated through the autumn-tinted mountains. GI's with rifles in their hands made a dash at U.S. servicemen who were on the plateau as hypothetical enemy troops.

"We're going to carry out joint training right after the review of the guidelines, and its results would affect the establishment of a bilateral defense cooperative relationship for the new era."

At a ceremony held on November 4 before the start of training, Norisaburo Ishidao, the commanding
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officer of the 46th Infantry Regiment (posted at Kaita Town, Hiroshima Prefecture) of the 13th Division of the Ground Self-Defense Force, emphasized that way before the standing lineups of SDF personnel and U.S. servicemen totaling about 1,200 men.

The U.S. military calls the SDF the "Japanese Army." Lt. Col. John F. Campbell, the commanding officer on the U.S. side, gave a directive while remarking: "I'm sure that this training will enable us to work out even more powerful tactics."

Those GI's, numbering about 480, arrived at Kansai Airport in several groups from Hawaii on a civilian airline's regular flights. Kansai Airport is on the U.S. side's list of domestic facilities U.S. forces want to use for supply and other services

under the new guidelines.

That is why some critics are negatively reacting, one of them saying: "They're now beginning to make preparations to initiate the new guidelines on a full scale."

The history of such bilateral joint training exercises dates back to special minesweeping drills carried out by the MSDF and the U.S. Navy in 1955 - the year before the SDF came into existence. Since then, such joint exercises have been carried out almost every year.

However, the wording "joint training" was first used in notes exchanged between the Japanese and U.S. governments under the old version of guidelines released in 1978, or 20 years after the first training. It said that the SDF and U.S. forces "will conduct joint exercises and training on a timely basis." And, the new version of guidelines further says that "bilateral exercises and training will be enhanced."

The Sea of Hyuga or Hyuganada is where bilateral special minesweeping exercises are going to be conducted shortly.

In the waters of Hyuganada the MSDF has carried out minesweeping training since 1992. In the summer of 1996, the Defense Facilities Administration Agency's Fukuoka regional bureau made a proposal (of cooperation) to a Miyazaki prefectural fisheries policy committee, which is made up of the chiefs of fishery cooperatives in Miyazaki Prefecture. At that time, the committee rejected the proposal.

In those days an anti-base campaign, touched off by U.S. servicemen's rape of a local schoolgirl in Okinawa, was surging in the island prefecture. One fishery cooperative chief recalls: "We wanted to avoid problems."

This year there was a proposal again, and this time the committee responded. "The training is the same
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as that conducted in usual years, and there will be no landing of U.S. troops." With this, the DEFAA urged the locals for cooperation. Behind such words, the chiefs of those local fishery cooperatives felt "the government's strong intention."

Minesweeping -- one of the items of bilateral cooperation incorporated in the new set of guidelines -- is one of the main activities the U.S. military wants the SDF to carry out in times of emergency in areas surrounding Japan. An MSDF official remarked boastfully, "Since the end of World War II, Japan has disposed of more than 6,000 mines. Our minesweeping capability is prominent in the world."

In the event of an emergency, however, the SDF will be required to engage in the task of sweeping mines in waters close to a combat area. The new guidelines stipulate that Japan is to remove mines only in its territorial waters or only on the high seas and is not to conduct any kind of offensive minesweeping that corresponds to an act of exercising the right of collective self-defense. But the question is who will judge whether or not such is offensive -- and how.

According to an official's account, the MSDF is going to stage a full-fledged lineup of vessels, including minesweepers and a minesweeper tender, in the Hyuganada Sea while planning to mobilize most of its 30 vessels.

A senior official of the Japan Defense Agency has said, "In response to the revised guidelines, their training will not change at once. However, we're expecting steady progress in our bilateral close ties."

Japan and the U.S. are about to integrate their bilateral defense cooperation at an accelerated pace without resolving problems in the new guidelines.

(2) Will a "Depression" Hit Japan? What Countermeasures Can Be Taken? (Part 2) -- With a Drop in Exports, Small Corporations Find No Way out; Effect of Trouble in Asian Economies

TOKYO SHIMBUN (Page 1) (Excerpt)
November 14, 1997

Economic turmoil in Asia, which originated in Thailand, has now hit Japanese companies,

particularly small to medium-sized ones.

In Ota Ward, there is a town in which a number of small factories stand in a row. These factories have suffered from dwindling orders for processing products and parts bound for Southeast Asia since this summer.

The manager of a sub-contracting firm employing 50
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workers has engaged in processing and assembling auto and other parts for 45 of his 60 or so years. He grumbled:

"When the yen surged in value several years ago, our company was pressed to lower unit prices. With the drop in Asian currencies this time, there has been no order for imports to Thailand for the past three months. Our customer, a leading automobile manufacturer, told us in September again to cut the prices of auto parts by 5 percent. I wonder how long (leading companies) are going to make smaller companies their stepping-stone ..."

That same leading automaker has reduced production at its Thai plant by half since September.

An executive of the Thai plant who was dispatched to Japan last month underscored to the parent company the present miserable plight:

"Sales in September plunged to half the volume (we had a year earlier), piling up inventories for several months. There is no room for new products both at the plant and the dealers."

The Thai economy is tumbling seriously now that its "bubble economy" has collapsed. Thailand will unavoidably see a drop in sales of automobiles from the 588,000 units registered last year to below 400,000 units this year.

Toyota Motors, which holds an about 30 percent share of Thailand's automobile market, has shut

down both its plants there. It will keep them closed until year's end, but on the question of whether to reopen them after the new year, Vice Chairman Iwao Isomura said, "We need to watch the situation carefully in making a judgment," hinting at the possibility of the shutdown being protracted.

Senior Managing Director Yoshizawa of Nissan Motor, whose exports of trucks to Thailand account for 40 percent of the total, stated:

"Exports to Thailand shrank by half in the first half (compared with the same period a year earlier). We are considering the possibility of shifting the Thai plant into an export platform amid the bahts' value dropping, but it is also difficult to do so because other economies in Asia, including Japan's, have slowed down."

The economic turmoil in Asia has dealt a serious blow to Japanese industrial circles, not only constraining exports but also dampening investments. In the case of Mitsubishi Motors, the baht's slide caused its subsidiary in Thailand to suffer an exchange loss of 34 billion yen this quarter. As a result, the company will experience negative growth in its consolidated balance sheet for the first time since it was listed on the market.

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Major companies have the capability to make up for the poor sales records in Japan and Asia with strong sales in Europe and North America, backed by the weaker yen. Yet, keiretsu auto parts manufacturers, which put their efforts into exports to growing Asian markets and local production when the yen strengthened, find no such way out.

It is expected that the government's and ruling camp's economic stimulus package will include measures to expand eligible small to medium-size companies for loans offered by the People's Finance

Corporation and other organizations. But the managers of small firms in Ota Ward have expressed dissatisfaction, one saying, "In case such measures as an income tax cut are not taken, personal consumption will remain frozen," and another remarking, "The retrenchment in public works projects will lead to a drop in demand for truck parts." Reactions to the measure to expand the scope of loans are also somewhat negative, one manager quipping, "The unwillingness to lend money prevalent among private-sector financial institutions should be corrected first. Even if we expand our jobs by borrowing money, we find it difficult to accrue profits." Reflecting the present situation of being unable to depend on the Government or parent companies, small to medium-size company have indicated that "we cannot scale down our business with Asia, from a long-term point of view. So, we need to be patient, now."

(3) Keizai Kyoshitsu Column by Tokyo University Professor Takeshi Sasaki (first of a two-part series): Prospects of Japan and U.S.; Focus Now on How to Get Over "a Fragile Japan"; Increased U.S. Concerns; Indispensable for Stability of Global Economy

NIHON KEIZAI (Page 31) (Almost Full)
November 13, 1997

1. The problem of "redefining" the security alliance of Japan and the United States has held the spotlight in Japan-U.S. ties over the past year or so, but over the coming years, the focus is expected to shift to the economic area, particularly trade issues.

2. The U.S. is increasing its concerns over the "fragility of Japan," which is affected by the instability of the Asian economies and global financial turmoil. This element has put the present trade disputes on a different plane.

3. Attention will be paid to how the Japanese Government will realize a stability of the monetary system and domestic-demand-led growth and how it will treat Hashimoto's six major reforms. This point will lead to a prospect of an international role Japan should play.

The Security Problem Goes Over Its Climax
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Over the past two years or so, Japan-U.S. relations have been buffeted visibly. The first wave came as trade disputes, which later hung over the two countries as a knotty problem under the so-called results-oriented trade policy adopted by the U.S. Clinton Administration in its first term. This problem however was resolved, though not quite satisfactorily, as the bilateral economic framework talks reached an accord in 1995 in the autos and auto parts issue.

On the other hand, in 1995 the security issue rose all of sudden as a major theme, and fed partly by the impact of a rape incident that occurred in Okinawa, the question of how to set a new task for the bilateral security alliance came into focus as a major political issue. In dealing with this matter, in April, 1996, Prime Minister Hashimoto and President Clinton in their summit meeting determined the "redefined" U.S.-Japan Security Treaty, and following it, the two countries proceeded with negotiations on bilateral defense cooperation guidelines. Bilateral talks in the end bore fruit in the form of a final export that was released in September, 1997.

The rest of the issues include, for example, the question of how to promote legislation internally in accordance with the final report, or how to tackle the construction of an alternative heliport for Futenma Air Station. A portion of areas for cooperation will inevitably give rise to a dispute on whether providing such cooperation may be linked to the use of the right to collective self-defense, but this problem is fundamentally a domestic issue.

Following new U.S. Ambassador to Japan Foley's arrival at his new post in Japan, the focus of the Japan-U.S. relationship will obviously shift to economic issues centering on trade. A major factor that will decide the future course of these issues is the trend in the economy itself, but what we above all cannot disregard is the fact that Japan's trade surplus has been growing again. In the first half of this fiscal year (from April through September), our trade surplus topped 5 trillion yen after a hiatus of two and half years, up 75 percent from the same term a year before. Japan's trade surplus with the U.S. also has been continuing to

expand for the past 12 months.

A turnabout from a shrinking trade surplus is thus evident, making it certain that the trade surplus is steadily reaching the critical level in terms of percentage of gross domestic product (GDP), and will soon trigger another dispute. In the U.S. auto market, too, sales of the Big Three are marking time, while those of Japanese autos are surging. And turning to politics, the off-year election will take place in the U.S. next year, and as is often the case at such a time, political grandstanding tends to become even more theatrical particularly in early spring.

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"Hashimoto's Reform" Meets Severe Evaluation

There may be wishful thinking now by some that the Japan problem will remain low-profile because the U.S. trade deficit with China has been in the spotlight. But here in this column, I must point out above everything else the deep disappointment that exists among Americans toward the Japanese Government, which, despite its repeated commitments to implement reforms, still relies on its tried and true approach of maintaining growth led by exports. The Hashimoto Cabinet's effort to reform the fiscal structure appears to have added to their disappointment.

At first, the U.S. side had some expectations and hopes for Hashimoto's reform efforts, but now their evaluation is becoming extremely harsh. One sign of this is the market's having turned a cold shoulder to the emergency scheme of pump-priming measures compiled and unveiled in late October by the Liberal Democratic Party (LDP). Some press reports even called Hashimoto's reform a mere "farce." "Watching Japan with bated breathe," going beyond just harboring a sense of disappointment, is becoming the dominant mood, especially with concern over the future of the Japanese economy increasing.

This situation is fueled by another factor involving the turmoil in the global economy triggered by Asia and its stalled economies. The upheaval undoubtedly was brought about by lax economic management by the countries concerned, but the proximate trigger, as is widely pointed out in the U.S., has been the two years of a trend of weakening yen to the dollar and a jump in Japan's exports.

Moreover, it is obvious that this confusion and the stalled economies will have a serious impact on Japan's exports and its financial system. If the growth of Asian economies, which account for 40 percent of Japan exports, were to drop by half for the next several years, it would bring down Japan's growth, and even worse, the likelihood is strong that vast amounts of loans rendered to Asian countries would go sour, as was pointed out by U.S. Federal Reserve Board (FRB) Chairman Greenspan in his testimony to the U.S. Congress.

Normally, Japan, as the largest creditor nation in the world, is supposed to play the role of crisis manager under these circumstances, but the observation is becoming widespread that the Japanese economy itself will be remain stalled and even develop into a state of crisis. What is felt from this view is the sense of worry about "fragile Japan." The U.S. is becoming nervous about a possible spread of this economic turmoil to Central and Latin American countries, such as Brazil. Presumably in this sense it is experiencing what "the role of lone anchor" is like.

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The present economic agenda between Japan and the U.S. has thus more serious tasks to deal with than in any previous trade dispute.

Joint Bulwark against World-Wide Chaos

The first task is for Japan and the U.S. to work

together to set a bulwark against a financial collapse involving the entire world. Japan once saw its proposal for establishing an Asian monetary fund (AMF) encounter negative reaction from the U.S., the International Monetary Fund (IMF) and other institutions, but later a framework for assistance to Thailand and Indonesia was prepared in the form nearby countries offering aid, showing the proper respect for the IMF.

The stockmarket plunges and currency crises that occurred in tandem recently across the world have posed a long-term question: how to handle turmoil caused by the globalized financial market? Until the conditions necessary to stabilize the Asian economies are arranged, both Japan and the U.S. need to work together to put disturbances under control.

Secondly, in order to bring economic stability to Asia, an urgent task will be to overcome the image of "a fragile Japan." Instead of being part of the chaotic condition in Asia, Japan needs to stand as a mighty bulwark. Whether Japan can serve as such is a matter of concern not only for Japan but also the U.S., which desires stable growth of the global market.

If a selloff of U.S. bonds were to occur set off by a much more aggravated financial crisis in the Asian region, the U.S. will see the bedrock of its thriving economy take a hit. In this context, Japan is urged to get rid of its "fragile Japan" state and to recover a robust economy with the reform of its financial system. This is an urgent task as well as a key matter of concern.

The third element is connected with a classical point at issue over trade between Japan and the U.S. But this point should be seen from a different angle now that Japan is no longer "the strong Japan" as in the past. In fact, the U.S. Government, despite its calling on Japan for domestic-demand-driven growth, seemingly has assumed the position of benign neglect in dealing with the trade imbalance.

The question is what kind of cogent response the Japanese Government can show in dealing with the above first and second problems. In short, the key is whether necessary measures will be taken to make the credibility of Japan's financial system unshakable and on whether Japan can have prospects of drawing up a blueprint for stable growth not relying on external demand.

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The phrase, "the economy is moderately picking up," as has been reiterated by the Government, has almost lost any credibility. For now these two tasks mentioned above have yet to be well answered by the Government. But these questions, in view of the present state of the Japanese economy and our relations with Asia, are matters Japan has to grapple with seriously. Japan must avoid becoming the source of a collapse.

From this perspective, it is only natural that how to handle Hashimoto's six major reforms and how to evaluate them attract a great deal of attention.

In connection with the timing for the reform of the fiscal structural reform (including the consumption tax hike and the abolition of the special income tax cuts, which were both carried out this year), it is true that many in the U.S. have strong doubts. The U.S. side will inevitably strongly ask for Japan to boost domestic-driven growth, including an increase in imports from Asia.

These points at issue over the Japanese economy will likely come out again around later this month, when the Asia-Pacific Economic Cooperation (APEC) summit takes place. The major challenge is how to find a point of compromise between Japan's economic system reform and its international role. Considering the delicate aspects of the global economy, it is no longer acceptable that the negotiators of the two countries battle each other just to save face.

(4) MAGAZINE ARTICLE: Administrative Reform:
Ministry of Home Affairs Has Started Fight to
Retain Itself (Even After Restructuring the Central
Government Offices)

EKONOMISUTO (Economist)
November 18, 1997

Following the fourth recommendation released on
October 9 by the Decentralization Promotion
Committee, the Conference on Administrative Reform

(CAR) compiled an interim report that suggested scrapping the Ministry of Home Affairs (MHA). Toward this, the MHA is now desperately fighting for a rollback in an effort to sustain its organization.

First, the ministry is now trying to step up its authority by stretching the recommendation in its favor. For example, the Committee advised that the current system of assigning the central government's responsibilities to other organizations be discontinued, and that those responsibilities be legally delegated to local governments. The MHA transmitted late October to various ministries its plan that there were no such responsibilities. All responsibilities already lie on local governments. The MHA does judge individual cases. This notion was suggested by Deputy-Vice Minister for General Policy
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Coordination Takakazu Ishii, who has now been sent to the Decentralization Committee. As a matter of course, various ministries and agencies are negatively reacting to such an idea as the reason that such would strengthen the MHA's authority over local governments.

Second, the MHA is moving to retain the name of the ministry even after the central government offices are restructured. The MHA controls local governments as a whole by using its authority of tax allocations totaling 15 trillion yen to local communities and of coordinating regional administrations. If decentralization is pushed forward, the ministry is the government office that would be immediately scrapped. Being aware of that, the CAR must have decided to place the MHA under the control of a general affairs ministry.

Prime Minister Hashimoto twice called senior MHA officials to his office to rebuke them sharply. He is now apparently disgusted with the MHA, which has called for the regional redistribution of the central government authority while preserving its

own authority. The Prime Minister will be busy with a series of overseas trips in November, as if he wanted to get away from the turmoil of administrative reform.

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NEW U.S. AMBASSADOR TO SEEK SOLUTIONS THAT BENEFIT BOTH
COUNTRIES (ASAHI - PAGE 2, NOV. 16 EDITION)

THE NEW UNITED STATES AMBASSADOR TO JAPAN THOMAS FOLEY (68), FORMER HOUSE OF REPRESENTATIVES SPEAKER, ARRIVED IN JAPAN ON THE 15TH. CONSIDERED TO BE THE MOST INFLUENTIAL OF PRO-JAPANESE AMERICAN POLICIANS, FOLEY IS THE 12TH POSTWAR AMBASSADOR TO JAPAN, FILLING THE LONG-VACANT POST BY HIS PREDECESSOR AMBASSADOR MONDALE, WHO LEFT IN LATE DECEMBER LAST YEAR.

AMBASSADOR FOLEY AFTER LANDING AT NARITA AIRPORT THAT EVENING, READ OUT A STATEMENT, IN WHICH HE SAID: "THERE IS NO BILATERAL PARTNERSHIP MORE IMPORTANT THAN THAT BETWEEN THE U.S. AND JAPAN. IT WILL BE MY RESPONSIBILITY TO ENSURE THAT THE TWO COUNTRIES CAN WORK TOGETHER ACROSS THE BROAD SPECTRUM. WHEN WE DO DISAGREE, I WOULD LIKE TO FRANKLY SPEAK AND FIND SOLUTIONS THAT SERVE BOTH OF THE PEOPLES. IN THIS PROCESS, THERE ARE NO LOSERS -- BOTH SIDES WIN."

MR. FOLEY WAS FIRST ELECTED TO THE HOUSE OF REPRESENTATIVES IN 1964, AND AFTER SERVING IN SUCH POSTS AS DEMOCRATIC PARTY MAJORITY LEADER, HE BECAME SPEAKER OF THE HOUSE IN 1989. HE LOST HIS SEAT IN THE 1994 OFF-YEAR ELECTION. UNTIL RECENTLY, HE WORKED AS A LAWYER, WHILE GIVING ADVICE TO PRESIDENT CLINTON. HE HAS CLOSE FRIENDSHIP WITH LEADERS OF THE RULING AND OPPOSITION PARTIES, BEGINNING WITH FOREIGN MINISTER KEIZO OBUCHI AND FORMER PRIME MINISTER TSUTOMU HATA. IN HIS STATEMENT, HE ALSO NOTED: "I HAVE RETURNED TO JAPAN TO STRIVE SO THAT OUR COUNTRIES CAN MUTUALLY ENHANCE THE TIES OF FRIENDSHIP THAT HAVE BEEN BUILT, WHILE RENEWING THE PREVIOUSLY-CONSTRUCTED FRIENDSHIP AND CULTIVATING A NEW ONE."

AMBASSADOR FOLEY PLANS TO ATTEND THE CEREMONY MARKING THE 25TH ANNIVERSARY OF THE REVERSION OF OKINAWA, HOSTED BY THE CENTRAL GOVERNMENT, TO TAKE PLACE IN GINOWAN CITY ON THE 21ST.

AMBASSADOR FOLEY CALLS FOR FRANK DIALOGUE BETWEEN U.S. AND JAPAN (NIHON KEIZAI - PAGE 2, NO. 16 EDITION)

NEW UNITED STATES AMBASSADOR TO JAPAN THOMAS FOLEY ARRIVED IN JAPAN ON THE AFTERNOON OF THE 15TH BY A NORTHWEST AIR LINES FLIGHT TO NARITA AIRPORT. THE AMBASSADOR MADE A STATEMENT AT THE AIRPORT IN WHICH HE REITERATED THE IMPORTANCE OF THE BILATERAL RELATIONSHIP, NOTING: "NO MATTER WHAT THE AREA, SUCH AS TRADE AND SECURITY, THERE IS NO BILATERAL PARTNERSHIP MORE IMPORTANT THAN THAT BETWEEN JAPAN AND THE U.S." HE ALSO STATED: "WHEN JAPAN AND THE U.S. DO DISAGREE, IT WILL BE MY RESPONSIBILITY TO STRIVE SO THAT WE CAN SPEAK FRANKLY AS ALLIES TO FIND SOLUTIONS."

THE INFLUENTIAL AMBASSADOR HAS TRAVELLED OFTEN TO JAPAN AND IS REGARDED AS THE MOST PRO-JAPANESE AMONG OF AMERICAN POLITICIANS. HIS STATEMENT INDICATED HIS STRONG INTENTION TO DEEPEN THE FRIENDSHIP BETWEEN JAPAN AND THE U.S.: "I HAVE NOW RETURNED TO JAPAN TO RENEW THE FRIENDSHIP THAT HAS BEEN BUILT OVER MANY YEARS, AS WELL

AS TO GENERATE A NEW FRIENDSHIP." AS EARLY AS THE 19TH, THE AMBASSADOR WILL PRESENT HIS CREDENTIALS TO THE EMPEROR AND FORMALLY BEGIN HIS AMBASSADORIAL DUTIES. HIS FIRST JOB WILL BE TO ATTEND THE CEREMONY FOR THE 25TH ANNIVERSARY OF THE REVERSION OF OKINAWA TO JAPAN SCHEDULED FOR THE 21ST.

FOREIGN MINISTRY EXPEDITES CREDENTIALS PRESENTATION SO UNCLAS SECTION 02 OF 08 TOKYO 009956

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
SPECIAL EDITION

FOLEY CAN ATTEND OKINAWA CEREMONY
(NIHON KEIZAI - PAGE 2, NOV. 15 EDITION)

IT HAS BEEN REVEALED THAT AFTER NEW U.S. AMBASSADOR TO JAPAN FOLEY ARRIVES IN JAPAN ON THE 15TH, FOREIGN MINISTER KEIZO OBUCHI WILL EXPEDITE HIS PRESENTATION OF HIS CREDENTIALS TO THE EMPEROR IN ORDER TO ENABLE HIM TO VISIT OKINAWA WITH THE FORMAL TITLE OF "AMBASSADOR." AMBASSADOR FOLEY PLANS TO ATTEND THE CEREMONY IN OKINAWA ON THE 21ST COMMEMORATING THE 25TH ANNIVERSARY OF THE REVERSION. THE SPECIAL MEASURE WAS TAKEN BECAUSE OF FOREIGN MINISTER OBUCHI'S CONSIDERATION FOR NEW AMERICAN AMBASSADOR FOLEY, WHO HAD EXPRESSED HIS DESIRE TO ADDRESS "OKINAWA" IN BILATERAL RELATIONS BETWEEN JAPAN AND THE UNITED STATES. FOREIGN MINISTRY'S OFFICIALS REGARD THIS AS A MANIFESTATION OF "THE KIND OF MAN OBUCHI IS."

IT HAS BEEN THE PRACTICE THAT NEWLY ARRIVED AMBASSADORS PRESENT THEIR CREDENTIALS TO THE EMPEROR A COUPLE OF WEEKS AFTER THEY ASSUME THEIR DUTIES. BUT IN THE CASE OF NEW AMBASSADOR FOLEY, WHO WAS TO ARRIVE ON THE 15TH, THERE WAS A GOOD POSSIBILITY THAT IF THE FORMAL PROCEDURE WAS TAKEN, HE WOULD BE UNABLE TO ATTEND THE CEREMONY IN HIS FORMAL CAPACITY. OUT OF CONCERN, FOREIGN MINISTER OBUCHI INSTRUCTED FOREIGN MINISTRY OFFICIALS TO ACT ACCORDINGLY. IT IS SAID THAT THE FOREIGN MINISTRY COORDINATED THE AMBASSADOR'S SCHEDULE SO THAT HE WOULD BE ABLE TO BE GRANTED AN AUDIENCE WITH THE EMPEROR AS EARLY AS ON THE 19TH, ANTICIPATING HIS ARRIVAL BY COORDINATING WITH THE U.S. SIDE.

ACCORDING TO A U.S. GOVERNMENT OFFICIAL, NEW AMBASSADOR FOLEY, WHO IS REGARDED AS PRO-JAPANESE, HAD EXPRESSED HIS

EAGERNESS TO ATTEND THE ANNIVERSARY CEREMONY IN OKINAWA SOON AFTER HE WAS APPOINTED TO THE POST BY THE PRESIDENT. THE FOREIGN MINISTRY THOUGHT THAT THE NEW AMBASSADOR'S JOINING THE CEREMONY WOULD BE A GREAT PLUS FOR THE JAPAN-U.S. ALLIANCE. BUT SINCE "THE MINISTRY CANNOT GIVE PREFERENTIAL TREATMENT TO THE U.S. AMBASSADOR ALONE" (FOREIGN MINISTRY SOURCE), IT TOOK SUCH A PROCEDURE.

PRIME MINISTER HASHIMOTO FACES SHOWDOWN THIS WEEK ON REFORM AND ECONOMIC PACKAGE ISSUES
(NIHON KEIZAI - PAGE 2, NOV. 16 EDITION)

ADMINISTRATIVE REFORM, WHICH IS THE TOP PRIORITY TASK OF THE HASHIMOTO CABINET, IS EXPECTED TO BE WRAPPED UP THIS WEEK WITH THE COMPILATION OF A FINAL REPORT ON THE 20TH BY THE CONFERENCE ON ADMINISTRATIVE REFORM. FOR PRIME MINISTER RYUTARO HASHIMOTO, THIS WILL BE SHOWDOWN WEEK. HOW TO SURMOUNT "(THE PRIME MINISTER'S) MOST DANGEROUS HURDLE" (PRIME MINISTER'S AIDE), WILL LIKELY DIRECTLY DETERMINE WHETHER THE ADMINISTRATION WILL SURVIVE OR PERISH.

THE PRIME MINISTER HAS STRESSED REPEATEDLY THAT "THE FINAL DECISION WILL BE MINE" REGARDING THE NOW DEADLOCKED COORDINATION ON SUCH ISSUES AS REFORM OF THE THREE POSTAL SERVICES WHICH WILL DECIDE THE CONTENT OF THE FINAL REPORT OF THE CONFERENCE ON ADMINISTRATIVE REFORM. A FAILURE TO ACHIEVE FINAL COORDINATION COULD SHAKE THE FOUNDATION OF HIS ADMINISTRATION, WITH AN UPROAR OCCURRING WITHIN THE LIBERAL DEMOCRATIC PARTY AND THE SOCIAL DEMOCRATIC PARTY AND THE SAKIGAKE PARTY POSSIBLY LEAVING THE RULING COALITION.

ON THE OTHER HAND, THE JAPANESE ECONOMY IS NOW EXPERIENCING A TRIPLE PLUNGE OF DROPPING PRICES IN THE STOCK, FOREIGN EXCHANGE, AND BOND MARKETS. THIS IS ALSO THREATENING THE FUTURE OF THE HASHIMOTO ADMINISTRATION. SINCE THE STOCK MARKET BEGAN TO FALL LAST MONTH, THE FUTURE PROSPECT OF THE ECONOMY HAS BECOME EVEN MORE
UNCLAS SECTION 03 OF 08 TOKYO 009956

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
SPECIAL EDITION

UNCLEAR, AND EVEN THE COMPREHENSIVE ECONOMIC PACKAGE WHICH THE GOVERNMENT WILL ADOPT ON THE 18TH IS NOT

ANTICIPATED TO HAVE MUCH IMMEDIACY.

IF THE PRICES OF STOCKS CONTINUE TO PLUMMET OVER DISAPPOINTMENT WITH THE OVERALL ECONOMIC PACKAGE, THE CURRENT RECESSION MOOD IS LIKELY TO WIDEN, AND THE BAD DEBT PROBLEM OF THE BANKING INSTITUTIONS WILL CONTINUE TO BECOME MORE SERIOUS. CALLS FOR FISCAL POLICY DISBURSEMENTS ARE STRENGTHENING, AS ARE ACCUSATIONS OF "POLICY STAGNATION." THE PRIME MINISTER SEEMS TO BE IN TERRIBLE TROUBLE.

HASHIMOTO LEFT IN THE LURCH ON FINAL PACKAGING OF ADMINISTRATIVE REFORM PROPOSALS
(MAINICHI - PAGE 2, NOV. 15 EDITION)

PRIME MINISTER RYUTARO HASHIMOTO HAS AT LAST TAKEN THE COUNTEROFFENSIVE AT AN INFORMAL CABINET MINISTERIAL MEETING HELD ON THE 14TH. THE PRIME MINISTER TOLD THE MEETING SHARPLY, "I WOULD LIKE TO BRING TO A CLOSE THE HEARINGS FROM EACH CABINET MINISTER REGARDING THE ADMINISTRATIVE REFORM ISSUE. I WANT YOU TO MAKE THIS INTENTION OF MINE PENETRATE THE STAFF OF YOUR MINISTRY AND AGENCY." HIS STATEMENT IS THE INDICATION OF HIS RESOLVE TO STAND WITH A VIEW TO THE COMPILATION OF A FINAL REPORT BY THE CONFERENCE ON ADMINISTRATIVE REFORM (CAR) AT THE FOREFRONT OF GOVERNMENT EFFORTS FOR ADMINISTRATIVE REFORM, BY CONTAINING MANEUVERING ON BEHALF OF MINISTRY AND AGENCY INTERESTS ALONE. (HIROSHI YAMAZAKI)

REFERRING TO THE TRANSPORT AND COMMUNICATIONS MINISTRY" INITIATIVE, NOW THE GREATEST BONE OF CONTENTION, THE PRIME MINISTER EXPRESSED DISPLEASURE TOWARD A "COOPERATION BLITZ" STAGED BY THE POSTS AND TELECOMMUNICATIONS MINISTRY (MPT) AND THE TRANSPORT MINISTRY (MOT), DEMANDING OF MPT MINISTER SHOZABURO JIMI AND MOT MINISTER TAKAO FUJII EXPLANATIONS: "WHY SHOULD BROADCASTING AND POSTAL SERVICES BE TREATED AS A SET?"

MPT AND MOT ARE VOCIFEROUSLY INSISTING ON THE INITIATIVE OF TRANSFERRING THE INFORMATION AND COMMUNICATIONS SECTOR UNDER MPT TO MOT AND PLACING THE THREE POSTAL SERVICES ALSO UNDER THE JURISDICTION OF THAT MINISTRY. THEY ARE ACTING IN UNITY WITH THE COMMUNICATIONS AND TRANSPORT SUBCOMMITTEES OF THE LIBERAL DEMOCRATIC PARTY (LDP). SOME LDP MEMBERS ARE TAKING A TOUGH STANCE, CITING, "IF THIS PROPOSAL IS NOT APPROVED, WE WILL NO LONGER COOPERATE WITH THE HASHIMOTO ADMINISTRATION."

THIS INITIATIVE IS IN REALITY A PLAN DESIGNED FOR THE ENTIRE MPT TO SURVIVE. FURTHERMORE, IT LETS OUT A GLIMPSE OF MOT'S "MIXED MOTIVE" (SENIOR LDP OFFICIAL) FOR MAKING AVAILABLE SURPLUSES FROM POSTAL SAVINGS FOR THE REPAYMENTS OF DEBTS CARRIED OVER FROM THE FORMER JAPANESE NATIONAL RAILWAYS. CREATION OF A "13TH MINISTRY" RUNS COUNTER TO THE MAJOR REFORM OF HASHIMOTO'S ADMINISTRATIVE REFORM, NAMELY, "ONE OFFICE AND 12 MINISTRIES AND AGENCIES." IN ATTENDING A COORDINATION MEETING WITH LDP

ADMINISTRATIVE REFORM PROMOTION HEADQUARTERS CHIEF KABUN MUTO, THE PRIME MINISTER CATEGORICALLY STATED, "THE TRANSPORT AND COMMUNICATIONS MINISTRY INITIATIVE AS PROPOSED BY SOME PARTY MEMBERS IS IMPOSSIBLE."

HEALTH AND WELFARE MINISTER CALLS FOR "INTRODUCTION OF SELF-SUPPORTING ACCOUNTING SYSTEM" WITHOUT INSISTING ON STATUS OF STAFF

MAKING A SPEECH AT A HOTEL IN YOKOHAMA CITY, HEALTH AND WELFARE MINISTER JUNICHI KOIZUMI REFERRED TO REFORM OF POSTAL SERVICES AND SAID, "IF THE INJECTION OF TAX MONEY UNCLAS SECTION 04 OF 08 TOKYO 009956

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
SPECIAL EDITION

IS SCRAPPED, BY EMPLOYING A SELF-SUPPORTING ACCOUNTING SYSTEM, CONNECTIONS WITH ADMINISTRATION WILL BE CUT OFF." HE INDICATED HIS STANCE OF NOT STICKING TO THE ISSUE OF THE STATUS OF THE STAFF OF A NEW ORGANIZATION, THAT IS TO SAY, THEY SHOULD BE TREATED AS PUBLIC SERVANTS OR NOT, IF POSTAL SERVICES ARE SHIFTED TO AN ENTITY WHOSE MANAGEMENT IS INDEPENDENT OF MPT.

HE ALSO NOTED, "IN ORDER TO EXPEDITE FULL-FLEDGED FISCAL AND FINANCIAL REFORMS, I WANT TO BREACH A BARRIER SO THAT A COURSE FOR FUTURE PRIVATIZATION CAN BE SEEN. I DO NOT MIND EVEN IF 100-PERCENT REFORM CANNOT BE CARRIED OUT IMMEDIATELY."

GOVERNMENT WANTS TO SEND REGIONAL CONTINGENCY BILL TO NEXT DIET; SDP LIKELY TO OBJECT
(TOKYO SHIMBUN - TOP PLAY, NOV. 16 EDITION)

THE GOVERNMENT HAS BEGUN AS OF THE 15TH TO CONSIDER PRESENTING AN "EMERGENCIES LEGISLATION" BILL TO THE DIET AT ITS ORDINARY SESSION NEXT YEAR TO PROVIDE FOR "JAPAN EMERGENCIES" IN WHICH ARMED ATTACKS WILL BE LAUNCHED BY FOREIGN TROOPS AGAINST JAPAN. THE GOVERNMENT HAS NOW ALREADY DECIDED TO INTRODUCE BILLS AT THE ORDINARY DIET SESSION FOR ESTABLISHING NEW LAWS OR REVISING RELEVANT LAWS TO COPE WITH "SITUATIONS IN AREAS SURROUNDING JAPAN" (SHUHEN YUJI OR EMERGENCIES AROUND JAPAN), ACCOMPANYING ITS ADOPTION OF A NEW SET OF JAPAN-U.S. DEFENSE COOPERATION GUIDELINES, AND THE GOVERNMENT WANTS TO COME

UP WITH THOSE BILLS IN A PACKAGE. THE GOVERNMENT'S PRESENTING THE "EMERGENCIES LEGISLATION" PACKAGE TO THE DIET WILL MARK THE FIRST TURNING POINT IN 21 YEARS SINCE IT BEGAN TO STUDY "EMERGENCIES LEGISLATION" IN 1977. HOWEVER, THE GOVERNMENT'S BID FOR LEGAL CONSOLIDATION RELATING TO THE NEWLY ADOPTED SET OF GUIDELINES, INCLUDING SUCH AN EMERGENCIES LEGISLATION BILL, IS LIKELY TO PROVOKE THE SOCIAL DEMOCRATIC PARTY (SHAMINTO -- ONE OF THE TWO NONCABINET ALLIES OF THE RULING LIBERAL DEMOCRATIC PARTY) TO REACT NEGATIVELY, AND COMPLICATIONS ARE PREDICTED AHEAD.

THE PLANNED EMERGENCIES LEGISLATION BILL IS INTENDED TO SET UP GOVERNMENT ORDINANCES OR CABINET ORDERS REGARDING PROCEDURES NECESSARY FOR THE GOVERNMENT TO REQUISITION GOODS AND MATERIALS OR TO EXPROPRIATE LANDED PROPERTIES AS REQUIRED FOR THE SELF-DEFENSE FORCES TO CONDUCT OPERATIONS IN TIMES OF EMERGENCY. AT THE SAME TIME, THE BILL IS ALSO AIMED TO ESTABLISH SPECIAL MEASURES AS EXCEPTIONS TO SUCH EXISTING LAWS AS THE ROAD LAW, RIVER LAW, AND FOREST LAW, SO AS TO FACILITATE THE SDF'S LAND USE AND OTHER ACTIVITIES FOR ITS FIELD POSITIONING.

THE JAPAN DEFENSE AGENCY HAS MADE PUBLIC THE RESULTS OF ITS TWO-PART STUDIES ON EMERGENCIES LEGISLATION -- FIRST IN ITS 1981 UNVEILING OF CLASSIFICATION 1 (PERTAINING TO LAWS AND ORDINANCES UNDER JDA'S COMPETENCE) AND SECOND IN ITS 1984 RELEASE OF CLASSIFICATION 2 (PERTAINING TO LAWS AND ORDINANCES UNDER THE COMPETENCE OF OTHER GOVERNMENT MINISTRIES AND AGENCIES). HOWEVER, THE GOVERNMENT USED TO SHELVE UP ITS LEGISLATION INITIATIVE UNDER THE SO-CALLED "1955 POLITICAL STRUCTURE" -- IN WHICH CONFRONTATION CONTINUED BETWEEN THE LDP AND THE JAPAN SOCIALIST PARTY (I.E., THE PREDECESSOR OF THE SDP) -- AS IT WAS LIKELY TO INCUR (OPPOSITION PARTIES') NEGATIVE REACTIONS AGAINST THE POSSIBILITY OF SUCH LEGISLATION "LEADING TO CONSTRAINING PRIVATE RIGHTS."

IN RESPONSE TO THE GOVERNMENT'S ADOPTION OF THE NEW SET OF GUIDELINES, SOME IN THE GOVERNMENT AND THE LDP USED TO INSIST STRONGLY THAT THE GOVERNMENT, INSTEAD OF GIVING PRIORITY TO "EMERGENCIES LEGISLATION," SHOULD RATHER GO AHEAD WITH LEGAL CONSOLIDATION IN ORDER TO COPE WITH
UNCLAS SECTION 05 OF 08 TOKYO 009956

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

SPECIAL EDITION

"NEIGHBORING EMERGENCIES," WHICH COULD TAKE PLACE AT A HIGHER RATE OF PROBABILITY, FOR SUCH MEASURES AS BOARDING AND INSPECTING SUSPICIOUS SHIPS AT SEA WHEN ECONOMIC SANCTIONS ARE TAKEN AND DISPATCHING SDF VESSELS TO RESCUE AND EVACUATE OVERSEAS JAPANESE NATIONALS IN CONFLICT AREAS. HOWEVER, THE GOVERNMENT HAS NOW CHANGED ITS COURSE OF ACTION PARTLY BECAUSE IT PREDICTS AS A RESULT OF JDA'S STUDIES THAT THE INTENDED CONSOLIDATION OF LAWS FOR NEIGHBORING EMERGENCIES WOULD BE ON A SMALL SCALE.

COMMENTARY: BULLISH JUDGMENT IN THE WAKE OF NEW GUIDELINES

IN THE BACKGROUND OF THE GOVERNMENT'S LOOKING INTO THE POSSIBILITY OF PRESENTING AN "EMERGENCIES LEGISLATION" PACKAGE AT THE ORDINARY DIET SESSION IN PREPARATION FOR ARMED ATTACKS ON JAPAN (OR JAPAN EMERGENCIES), THE GOVERNMENT IS THINKING OF RESOLVING ALL ISSUES AT A STROKE WITH ITS ADOPTION OF A NEW SET OF GUIDELINES FOR JAPAN-U.S. DEFENSE COOPERATION AS AN OPPORTUNITY.

EMERGENCIES LEGISLATION HAS BEEN REGARDED AS TABOO UP TO NOW. JDA HAS PUSHED AHEAD WITH ITS "STUDIES" AT LEAST AND HAS SPECIFIED LAWS AND ORDINANCES THAT WOULD HAVE TO BE REVISED, BUT THE GOVERNMENT HAS NEVER INTRODUCED ANY SUCH LEGISLATION BILL TO THE DIET.

IN THE PROCESS OF WORKING OUT THE NEW GUIDELINES, THE OPINION WAS STRONG THAT THE GOVERNMENT WOULD NOT HAVE TO BE IN A HURRY FOR EMERGENCIES LEGISLATION THAT IS PREMISED ON "JAPAN EMERGENCIES" ALL THE MORE BECAUSE THE LIKELIHOOD OF DIRECT AGGRESSION AGAINST JAPAN IS NOW LOW WITH THE COLLAPSE OF THE FORMER SOVIET UNION. ALSO, JDA DIRECTOR GENERAL FUMIO KYUMA, WHO HAS BEEN INSISTING ON PUSHING FOR EMERGENCIES LEGISLATION, REMARKED IN JULY: "WITH A HIGH-LEVEL POLITICAL JUDGMENT, WE MAY CARRY IT OVER AS THE NEXT TASK."

HOWEVER, THE GOVERNMENT HAS NOW COMPLETELY CHANGED THAT COURSE OF ACTION, AND THE GOVERNMENT HAS ALSO DECIDED TO PRESENT A PACKAGE OF BILLS TO THE DIET FOR SUCH REASONS AS: (1) THE SCALE OF THE INITIALLY PLANNED CONSOLIDATION OF LAWS RELATING TO THE NEW GUIDELINES IS EXPECTED TO BE SMALLER THAN EXPECTED; AND (2) THE LDP AND THE NEW FRONTIER PARTY (SHINSHINTO), WHICH HAVE BEEN POSITIVE ABOUT EMERGENCIES LEGISLATION, HOLD A LARGE NUMBER OF SEATS IN THE DIET. SO, THE GOVERNMENT THOUGHT THAT IT WOULD NEVER HAVE ANY MORE GOOD CHANCE IF IT SHOULD MISS THIS OPPORTUNITY.

HOWEVER, THE SDP, A NONCABINET ALLY OF THE LDP, IS STRONGLY OPPOSED TO THAT MOVE. WHEN THINKING OF THE UPPER HOUSE ELECTION SCHEDULED FOR THE SUMMER OF NEXT YEAR, THE SDP, WHICH WILL TRY TO FIGHT FOR ITS SURVIVAL, IS CERTAIN TO RAISE AN OBJECTION. THE GOVERNMENT'S INTRODUCING SUCH AN EMERGENCIES LEGISLATION PACKAGE TO

THE DIET MAY ROCK THE SCHEME OF GOVERNMENT, AND THE FINAL JUDGMENT OF WHETHER OR NOT TO PRESENT IT TO THE DIET IS PRESUMABLY UP TO PRIME MINISTER RYUTARO HASHIMOTO'S OWN DECISION.

(YOICHI TOYOTA, POLITICAL SECTION)

GOVERNMENT PREPARING LEGISLATION TO ALLOW SHIP INSPECTIONS UNDER DEFENSE GUIDELINES
(MAINICHI - PAGE 2, NOV. 15 EDITION)

AS PART OF ITS EFFORTS TO ADJUST DOMESTIC LAWS FOR THE NEW JAPAN-U.S. DEFENSE COOPERATION GUIDELINES, THE GOVERNMENT AS OF THE 14TH HAS INITIATED A STUDY THAT AIMS AT THE ENACTING OF A NEW LAW TO ENABLE JAPAN TO CARRY OUT SHIP INSPECTIONS AS PART OF (CONTINGENCY-RELATED) ECONOMIC SANCTIONS. THIS WAS REVEALED BY A SENIOR UNCLAS SECTION 06 OF 08 TOKYO 009956

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
SPECIAL EDITION

DEFENSE AGENCY OFFICIAL. THE GOVERNMENT'S ACTION RESULTED FROM THE JUDGMENT THAT JAPAN NEEDS TO DESIGNATE IN ITS LEGAL SYSTEM AN ORGAN RESPONSIBLE FOR DIRECTING SUCH ACTIONS AND THAT THE PRESENT SELF-DEFENSE FORCES LAW WAS INSUFFICIENT (IN THAT RESPECT).

GOVERNOR OTA LINKS HELIPORT COOPERATION TO OKINAWAQS ECONOMIC DEVELOPMENT PACKAGE
(MAINICHI - PAGE 2, NOV. 16 EDITION)

CHIEF CABINET SECRETARY KANEZO MURAOKA ON THE 15TH VISITED OKINAWA FOR THE FIRST TIME AFTER ASSUMING OFFICE AS THE CABINET MINISTER IN CHARGE OF OKINAWA ISSUES, AND HELD A SESSION WITH GOVERNOR MASAhide OTA.

IN IT, REGARDING THE HELIPORT CONSTRUCTION PROJECT TO REPLACE THE ONE AT THE U.S. MARINES FUTENMA AIR STATION TO A SITE OFF CAMP SCHWAB IN NAGO CITY, CHIEF CABINET SECRETARY MURAOKA REQUESTED COOPERATION, SAYING, "I AM AWARE OF THE DIFFICULT SITUATION THE GOVERNOR IS IN. IN ORDER ALSO TO LESSEN THE BURDEN OF THE PEOPLE OF OKINAWA, I WOULD LIKE TO OBTAIN YOUR COOPERATION." IN RESPONSE, GOVERNOR OTA AVOIDED TOUCHING ON THE OFFSHORE HELIPORT PROJECT, BUT REMARKED, "DIFFICULTIES ARE EXPECTED IN VARIOUS SENSES IF (THE GOVERNMENT) FAILS TO COME UP WITH

AN OKINAWA VITALIZATION PACKAGE THAT FALL SHORT OF LOCAL EXPECTATIONS." HE THUS INDICATED THAT HE WOULD MAKE HIS DECISION AFTER SEEING THROUGH THE GOVERNMENT'S STANCE TOWARD AN OKINAWA DEVELOPMENT PACKAGE.

IN ADDITION, TOUCHING ON THE CONCEPT OF MAKING ENTIRE OKINAWA INTO A FREE TRADE ZONE, WHICH IS ONE OF THE PILLARS IN AN OKINAWA PACKAGE, CHIEF CABINET SECRETARY MURAOKA REVEALED HIS RESOLVE TO DO HIS BEST, REMARKING, "IT MAY BE DIFFICULT TO REALIZE ALL THE REQUESTS OF OKINAWA, BUT I WILL WORK HARD TO SET FORTH A FORWARD-LOOKING DIRECTION." THE CHIEF CABINET SECRETARY ALSO PROMISED TO INSTALL AN OKINAWA AFFAIRS MINISTER.

ADDITIONALLY, GOVERNOR OTA TOUCHED ON A FIRE AT A CHEMICALS DEPOT AT THE U.S. MARINES CAMP KINSEY IN URASOE CITY THAT INVOLVED CALCIUM HYPOCHLORITE, A CHEMICAL THAT PRODUCES TOXIC CHLORINE GASES, AND UNDERLINED THE NEED TO IMPROVE THE NOTIFICATION SYSTEM INVOLVING THE U.S. MILITARY. CHIEF CABINET SECRETARY MURAOKA REPLIED, "WE WOULD LIKE TO REVIEW THE NOTIFICATION SYSTEM IN COLLABORATION WITH THE U.S. MILITARY." (YOSHIAKI NAKAGAWA)

OUTSET OF U.S.-JAPAN AVIATION TALKS IN SAN FRANCISCO:
MOST ISSUES ON WAY TO RESOLUTION
(SANKEI - PAGE 9, NOV. 16 EDITION)

(SAN FRANCISCO, NOVEMBER 15, TORU KUNIMATSU) JAPAN AND THE UNITED STATES ENDED THE FIRST DAY OF THEIR VICE MINISTERIAL CIVIL AVIATION TALKS. THROUGH NEARLY ONE YEAR OF BILATERAL NEGOTIATIONS, BOTH SIDES ARE NOW LIKELY TO FIND COMMON GROUND ON MAJOR POINTS OF CONTENTION, INCLUDING AN AGREEMENT TO DEFER AN "OPEN-SKIES ACCORD" (FULL LIBERALIZATION OF INTERNATIONAL ROUTES).

REGARDING THE U.S. REQUEST TO INTRODUCE AN "OPEN-SKIES" POLICY, BOTH SIDES ARE EXPECTED TO REACH A SETTLEMENT BY CONCLUDING A FOUR-YEAR TRANSITIONAL ACCORD THAT INCLUDES PARTIAL LIBERALIZATION MEASURES, ACCORDING TO INFORMED SOURCES.

ON THE ISSUE OF CORRECTING THE EXISTING UNEQUAL ACCORD, WHICH IS THE JAPANESE GOVERNMENT'S DESPERATE DESIRE, A DECISION HAS BEEN GENERALLY MADE TO RAISE THE STATUS OF ALL NIPPON AIRLINES (ANA) TO AN INCUMBENT CARRIER," WHICH IS VESTED WITH UNLIMITED OPERATION RIGHTS.

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USIA

FOR: USIA D/P, I/GEA, I/RF, I/RFW, EA, R/MR; STATE FOR EAR/J; STATE PASS TO USTR/PUBLIC AFFAIRS OFFICE; 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
SPECIAL EDITION

YET, THE POSSIBILITY IS HIGH THAT JAPAN WILL BE PRESSED TO YIELD WITH CONCESSIONS TO THE U.S. ON A CONSIDERABLE NUMBER OF ISSUES. FOR INSTANCE, JAPAN WILL LIKELY APPROVE MORE THAN 70 NEW FLIGHTS FOR AMERICAN AIRLINES, INCLUDING TRANSPACIFIC PASSENGER FLIGHTS BY TWA, WHICH HAS NOT YET OPERATED ANY SERVICES TO JAPAN, AND THREE "LATECOMER CARRIERS," WHICH HAVE BEEN RESTRICTED IN TERMS OF THE NUMBER OF FLIGHTS AND DESTINATION POINTS. IF 20 FLIGHTS ARE ADDED IN ACCORDANCE WITH A MEASURE TO GRANT MORE RIGHTS FOR "INCUMBENT CARRIERS," THE INCREASED NUMBER WILL REACH 90.

HOWEVER, BOTH SIDES REMAIN FAR APART OVER WHAT TO DO ABOUT JAPAN'S GUARANTEE FOR LIBERALIZATION AFTER THE TRANSITIONAL ACCORD IS CONCLUDED. THE U.S. HAS CALLED FOR JAPAN'S SPECIFIC LIBERALIZATION MEASURES AFTER THE ACCORD EXPIRES IN FOUR YEARS. BUT JAPAN HAS INSISTED THAT IT CANNOT TOTALLY AGREE TO A REQUEST TO HAVE IT PROMISE BEFOREHAND CERTAIN CONTENTS FOR FUTURE NEGOTIATIONS.

MAJOR POINTS IN JAPAN-U.S. CIVIL AVIATION TALKS

OPEN- SKIES	GENERA LLY AGREED	JAPAN, U.S. ARE EXPECTED TO REACH A FOUR-YEAR TRANSITIONAL ACCORD THAT INCLUDES PARTIAL LIBERALIZATION MEASURES.
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INCUMBENT CARRIERS	"	BOTH SIDES WILL CORRECT THE INEQUITIES BY INCLUDING ANA AMONG INCUMBENT CARRIERS, BESIDES JAPAN AIRLINES.
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INCREASED FLIGHTS FOR U.S. CARRIERS	"	A TOTAL OF 70 FLIGHTS WILL BE INCREASED FOR AMERICAN CARRIERS, INCLUDING THREE AIRLINES THAT HAVE OPERATED TRANSPACIFIC FLIGHTS AND TWA THAT WILL OPEN NEW ROUTES.
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BEYOND RIGHTS	"	AMERICAN INCUMBENT CARRIERS WILL LIKELY BE VESTED WITH LARGELY ENLARGED BEYOND RIGHTS AND BE ALLOWED TO OPERATE THEIR FLIGHTS TO ANY LOCATIONS IN JAPAN WITHOUT ANY RESTRICTIONS.
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CARGO FLIGHT	"	BEYOND RIGHTS FOR FEDEREX EXPRESS WILL BE VIRTUALLY LIBERALIZED.
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SERVICES

JOINT " APPROVAL WILL BE GIVEN TO
 OPERATION COOPERATE WITH A THIRD AIRLINE FOR
 BEYOND-RIGHT FLIGHTS

GUARANTEE UNSETT U.S. REQUESTS JAPAN PRESENT
 MEASURE LED SPECIFIC PLANS, SUCH AS INCREASED
 FLIGHTS AND THE OPENING OF LOCAL
 AIRPORTS IN JAPAN.

APPROVAL " JAPAN INSISTS "THE TWO SIDES"
 OF APPROVALS ARE NECESSARY," BUT THE
 AIRFARES U.S. INSISTS "APPROVAL SHOULD BE
 GIVEN UNLESS THE TWO REJECT IT."

DEPARTURE " THE MOST STUMBLING BLOCK IS THE
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(1) EDITORIAL: Government Should Aim at Consistency in Economic Stimulus Steps

NIHON KEIZAI (Page 2) (Full)
November 16, 1997

Uncertainty is permeating the country regarding the future of the economy. The November issue of a monthly report published by the Economic Planning Agency (EPA) confirmed, dragged along by the recent triple dip of stock, bond, and yen prices, as it were, that the economy remains at a standstill. However, given the present situation, the economy is clearly taking a downward turn, far from being at a standstill. In addition, what is different from our past experience is that a pessimistic view that we will just have to patiently endure a long-running depression is mounting.

Inconsistency in the government's economic policy has exacerbated the Japanese economy to this extent. It can be said that the six reforms, including administrative reform, advocated by Prime Minister Hashimoto, are a step to correct our systems and mechanisms that have propped up the post-war economic development but have become unfit for the new age.

The direction that should be taken for such a purpose would be curtailing enlarged government organizations, breaking with bureaucrat-led discretionary approach, promoting decentralization and switching from an export-driven-type economy to a domestic-demand-driven one.

The Hashimoto Administration's aim was to positively promote a market economy and regain economic vitality, initiated by the private sector. In that sense, it was apparently a right choice.

Deregulation and Tax Hikes Are Inconsistent with Each Other

However, when it comes to the stage of implementation, each measure has lost consistency. Symptomatic therapy like patchwork measures has
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gone unchallenged at various scenes. That is the major cause of deepened confusion toward the future of the economy and contracted corporate activities.

What should be pointed out is, first of all, deregulation and a substantial tax hikes worth 9 trillion yen in real terms were implemented concurrently. What is needed in order to put the economy on the right track, by revitalizing the market economy, backed by the private sector, is implementing deregulation and large-scale tax breaks simultaneously. If tax breaks supply ample funds to the private sector (companies and household economy), it will serve as a trigger for stimulating economic activities on the market. The economy will get on the road on its own, boosted by the tail wind of deregulation. It is obvious if the recent cases of the U.S. and British economies are seen.

As funding resources for tax cuts, appropriations for public works projects, which have become synonym for inefficiency, can be diverted. Japan's public works projects exceed 40 trillion yen on a gross domestic product (GDP) basis. Outlays for that sector in this fiscal year's budget reach close to 10 trillion yen.

In our country, deregulation has progressed in such areas as communications, distribution and land fluidity, and yet, their effects have been offset by the substantial tax hike.

The second contradiction is that ends are mixed with results. For instance, the fiscal reform bill, which recently cleared the Lower house, incorporates the target of "zero-issuance of deficit-covering bonds by the year 2002." Such a target itself causes a loss of fiscal flexibility.

Considering fiscal demand that could occur in the future, such as financial uncertainty and social welfare measures, it would be more meaningful to constrain the issuance of construction bonds. A short cut for improving fiscal payments balance would be putting the economy on the track as soon as possible. It is not a problem at all to augment the issuance of deficit-covering bonds, if it is for a short period of time. It is of urgent necessity to create through the market a situation that does not necessitate the issuance of deficit-covering bonds. It is not a matter that should be decided by law.

Recovery of Functions of Interest Rates Also Needed

The third contradiction is that the functions of interest rates cannot be effectively used. Two years have passed since the Bank of Japan (BOJ) lowered the official discount rate to 0.5 percent. As a result of the long-running "ultra-low interest rates," the efficient distribution of funds that should originally be performed by interest rates has been markedly distorted. Corporate demand for capital remains flat even under ultra-low interest

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rates.

One and the only reason for the BOJ continuing an ultra-low interest policy is to bail out financial institutions that are strapped with colossal bad loans. The step is motivated by the perception that it would be disastrous if financial institutions go under, creating financial uncertainty. However, as long as this line of argument is to be maintained, a solution to the problem will be put on the back burner forever.

In the meantime, the household economy sector is deep-pocketed with its financial assets reaching approximately 1,200 trillion yen. Nearly 60 percent of such exist in the form of time deposits. Interest income from savings is constrained low due to the ultra-low interest rates. If interest rates

on deposits return to a normal level, capital available to the household economy sector will augment in proportion to that. If that happens, there could be high hopes for that portion to further enhance the impact of deregulation.

A way to prevent financial uncertainty from occurring would be to ensure that depositors are protected. If necessary, public funds can be introduced, financed with the issuance of deficit-covering government bonds. If only the government expresses its resolve to do so, a possible financial uncertainty can be staved off. It is necessary to distinguish between the bail out of financial institutions and protection of depositors. Immediate creation of an environment that enables recovery of the functions of interest rates would be the greatest preparation for the implementation of the financial Big Bang scheme.

In order not to further worsen the economy, it is necessary to combine drastic income and corporate tax cuts, promotion of deregulation, cuts in public works projects and recovery of the functions of interest rates in a timely manner.

(2) Security Alliance Is Coming to Town -- Defense Cooperation in Progress (Part 3 -- Conclusion):
Military Uses Nearby Ports; Only U.S. Military Knows When and What ...

ASAHI (Page 30) (Full)
November 12, 1997

In July of this year a group of U.S. Marines in civilian clothes were observed walking around the port of Hanasaki in the city of Nemuro, Hokkaido.

It was two months before the relocation of the U.S. military's live-fire artillery training from Okinawa to the Yausubetsu firing range (for the Ground Self-Defense Force) in Hokkaido. Those U.S. servicemen were checking the port as a candidate site for unloading materials and vehicles to be used for artillery drills in the range.

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The GSDF, which uses the Yausubetsu range for 150 days a year, used to access the port of Kushiro. But the U.S. military has chosen the port of Hanasaki that has never been used before for any military purpose. The reason has never been made clear. One of those involved said that those U.S. Marines were looking not only into the port-harbor facilities but also into the number of hospitals in the city -- and even into what departments those hospitals had.

The port of Hanasaki, now eyeing to expand trade with Russia, has seen no marked increase in the volume of its cargo handling. Local economic circles hoped for a "special U.S. military procurement boom" leading to (economic) revitalization. In June, Nemuro City's municipal assembly adopted a petition in effect with its bid to bring about the U.S. military's firing practice to the Yausubetsu range, saying that the city wanted to have its port considered as one of the options for the U.S. military's use.

According to the city's municipal office, however, the city's port-harbor earnings from the U.S. military's exercises totaled no more than approximately 450,000 yen, including fees for four cargo ships' port entry and mooring. The U.S. military hired more than 30 large-size trailers for overland transportation, but they were prepared mainly by a local trucking service company in the city of Kushiro.

One explanation heard was that local businesses and municipalities were expecting the government's budget-based improvement of ports and roads rather than such immediate (economic) effects. Another persons commented that road construction from the port to the national highway -- as well as harbor improvement -- "is supposed to be realized earlier than planned." The port's annual cargo handlings in the year 2003 are estimated to reach 270,000 tons -- five times larger than at present.

However, the question is whether the U.S. military will continue to use the port of Hanasaki from now on as well. The Defense Facilities Administration Agency's answer is that "we don't know at all."

In late October, the U.S. and the Republic of Korea carried out their respective armed forces' joint training, code-named "Fall Eagle," on the ROK's grounds and in its neighboring waters in the Sea of Japan. U.S. Marine troops mobilized along the shore of Pohang, South Korea, carried out an

amphibious assault landing exercise.

For shipping some of the materials to be used there in the ROK, Iwakuni Port, a civilian seaport of Iwakuni City, Yamaguchi Prefecture, where a U.S. Marine air station is located, was suddenly utilized. It was the U.S. military's first use of Iwakuni Port in 12 years.

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On October 7, a freighter secretly came alongside a pier in that port to carry such equipment as tank lorries, radio equipment, and power generators. The ship was chartered by a major Japanese shipping company as ordered by the U.S. Navy's Far East sea transportation headquarters (in Yokohama City). The shipping company had made an application to the government of Yamaguchi Prefecture, which controls the port, for its permission to moor the freighter in the port, and the freighter was admitted into port as a "general cargo ship."

Twelve years ago, the local community reacted negatively to the military's use of the port. In recent years, the U.S. Navy used to transport materials overland to its base located in the city of Sasebo in Nagasaki Prefecture.

The U.S. military began to use that port again after an agreement was reached on a new set of guidelines for bilateral defense cooperation between Japan and the U.S.

In the hinterland of North Dock, a U.S. military facility in the harbor area of Yokohama, there are such U.S. military facilities as Sagami Depot and Camp Zama. In June, the U.S. military unloaded materials there for its live-shell firing practice that was carried out in the GSDF's Kitafuji range in Yamanashi Prefecture.

For that live-fire artillery training a Japanese civilian freighter carried four 155-mm howitzers and 30 vehicles from Okinawa. A major trucking

company undertook the overland transportation of those guns and vehicles to the range.

The DFAA did not make public the name of that transport company or the route of that overland transportation "for fear of terrorism."

Materials for U.S. forces are now usually unloaded not only on the grounds of U.S. military facilities but also on Honmoku Pier, which is a public pier in the harbor area of Yokohama.

According to a port-harbor official's account, an American shipping company's freighters have been carrying more than 400 containers per month on average from the west coast of the U.S. One stevedore there has confessed: "We might be unknowingly engaged in the work of unloading ammunition, so we feel uneasy."

The municipal government of Yokohama City, which controls the port of Yokohama, has declared that "no ammunition has been brought in" because the city's municipal authorities have requested the U.S. military not to unload anything dangerous.

In fact, however, there is also a port-harbor official who has testified that wooden boxes with the English term "ammunition" written on their surface were recently transported on a civilian
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ship to North Dock.

No one but the U.S. military authorities knows what is brought in to nearby ports -- or when and for what purpose. The revised set of guidelines, under which the Japanese government has decided to provide domestic seaports and airports to U.S. forces in a positive manner, ratifies and backs up such a prevailing situation.

(3) Reconsideration of Okinawa (Part 1): Governor Ota Faces the Wall of Reality with Hatchet in Hand

ASAHI (Page 1) (Full)
November 16, 1997

"For a moment I was seized with the feeling that the Okinawa Prefectural Office had disappeared."

On the 17th of last month, Yukio Okamoto, the Prime Minister's special assistant charged with the Okinawa problem received a shock. It was when he heard that Vice Governor Masanori Yoshimoto's reappointment had been "disapproved" by the prefectural assembly.

"Ota is an idealist while Yoshimoto is a realist." This phrase is used in Okinawa to portray Masahide Ota and Yoshimoto. Ota, a former scholar, uses logic, while Yoshimoto, a former union member, looks for ways to reach a point of compromise. The loss of Yoshimoto has a significant impact on the central government, which has adopted a concerted line with the prefectural government also in hosting the ceremony marking the 25th anniversary of the reversion of Okinawa to Japan.

Bogged-down Approach

November 21, when the central government is to hold a ceremony, was the day agreed to by the leaders of Japan and the United States for the reversion of Okinawa to Japan's rule in 1969. The reason why the central government intentionally avoided holding this ceremony on May 15, the actual day of reversion, and postponed it to later was because it wanted to coax cooperation from Okinawa in dealing with the Okinawa bases issue by laying out a package of economic promotional measures before the national budget is compiled.

Nago City, which has a candidate site for the relocation of an off-shore heliport in return for the reversion of (U.S. forces') Futenma Air Station, has deferred a conclusion to after the day of the referendum planned for next month. What the central government aimed at has now being backfired, with even Yoshimoto leaving the official stage.

"Agreement had been reached on economic promotion, the only point of accord between the central government, which offers cooperation premised on the securing of bases sites, and Okinawa
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Prefecture, which aims at freeing Okinawa from military facilities. But this approach of propelling the pragmatic line behind the scenes got bogged down," comments legislator Kosuke Uehara elected from Okinawa Prefecture.

For the prefectural government, the return of Futenma Air Station is the highest priority. But if it accepts its relocation within the prefecture, it would mean allowing the installation of a new base. If the Futenma problem reaches a deadlock, other proposals for return of other bases with relocation of such attached as a condition will also become inconclusive. In any respect, a dead end is likely.

On the relocation problem, Governor Ota has withheld his attitude, explaining: "It is a matter that is to be tackled by the central government and the local area." To such a governor, the central government has pressed him hard to "persuade residents," while the opponents rail against the Governor and see him as "dying."

"The true worth of the Governor is now put to the test on whether he can surmount a crisis going back to the starting point of the bases reduction problem or whether the campaign against the bases will entirely collapse," comments Okinawa University Professor (on contemporary history of Okinawa) Moriteru Arasaki.

A battle of principles and realities. This sort of situation was seen also around the time of the reversion of Okinawa.

"Proposal" Put on Shelf

In November, 1968, a strategic fighter, the B-52, which was about to take off, crashed at the U.S. Air Forces' Kadena Air Base. The central government was reluctant to take action to cope with it. The wave of prefectural citizens calling for withdrawal of (B-52s) developed into a possibility of going on a general strike in February of the following year. Avoidance or going on a strike? Chobyo Yara, who was just elected chief of Okinawa in the first public election, getting the feeling from the central government that "(B-52s) will be withdrawn by the summer,"

asked the central government to settle the uproar. Consequently the strike was avoided, but B-52s stayed on even after the summer. The movement for reversion of Okinawa to Japan, which was solidly united as a monolith, was split. It was the year, when Japan and the U.S. agreed to revert Okinawa.

Yara once followed the concerted line with the central government but later out of fear of the reversion of Okinawa with the bases staying on, compiled a proposal calling for bases reduction. "Although after reversion, Okinawa will be treated in the same way as toward mainland Japan, there will be no change in the present condition.

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Prefectural citizens strongly hope that Okinawa will be reverted as a peaceful island with no military bases."

In November, 1971, Yara with the proposal in his hand made up his mind to visit the Diet. On the day when he arrived in Tokyo, the Lower House Special Committee forced through a reversion accord. The proposal he carried with himself was killed without being sent to the Diet for deliberation.

Ryukyu University Professor Teruo Hiyane (on history of political history) comments:

"What the Okinawa prefectural government has asserted since 1995 has been in line with the spirit of this illusionary proposal. The fact that Ota has been driven into the same position as Yara's is emblematic of the anguish of Okinawa.

"During the period since then to date the central government amended the special land-lease law for U.S. Forces stationed in Japan, nipping any kinds of Okinawa resistance in bud. No option is available now for Okinawa but the reason is Japan and the U.S. have made it a condition for relocation within the prefecture, but all the responsibility has been shifted onto the Governor."

Will Issue His Statement after Referendum

When he refused to sign as a proxy the papers pertaining to the forced use of land as U.S. military facilities, Ota was reading the documents on "the Battle of Okinawa," and in last fall just before he determined to accept the proxy role of putting on public display legal papers required for the forced use of land, he was reading the compilation of records related to Yara. He now remarks: "Yara used to say that the Okinawa problem would not be resolved even if you stood up to it with a sharp sword, so the only way to solve it would be to assiduously carve out our way with an obtuse hatchet. I now understand well what he meant. Sometimes Okinawa ignores the realities, while on the other hand it gives itself up to the realities. What is important is to put together such two Okinawas."

There are two inseparable challenges, namely, while getting rid of the structural problem of relying on bases, Okinawa has to look for ways to reduce bases. Reportedly the Governor intends to submit an opinion paper based on the "illusionary proposal" to the Government sometime in the future, seeking the central government enact a special law for Okinawa promotional measures.

On the bases relocation issue, the Government is ready to state his view after Nago City carries out a referendum.

Recently Ota changed the books he kept at hand.
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Now the books he keeps at hand are autobiographies of South African President Mandela, who opened the way after experiencing hard times, and Martin Luther King, an American black leader.

Triggered by the tragedy involving a girl that occurred in the fall of two years ago, the rage of Okinawa flared up. After much confusion, Okinawa

is once again at crossroads. This newspaper will review the Okinawa problem, going back to the starting point.

(Hidetoshi Sotooka of the Local News Department)

(To be continued.)

(4) Financial Failure (Part 1) -- No Policy Measures Prepared, Lacking a Sense of Crisis

YOMIURI (Page 1) (Full)
November 18, 1997

Amid growing uncertainty over the economy, the financially troubled Hokkaido Takushoku Bank (Takugin) went bankrupt. With an eye on the Japanese version of the Big Bang reform of the financial system, which will bring about an age of mega-competition among banks, moves for reorganizing the banking industry and for forcing out the less competitive institutions will be unavoidable. Even so, with the collapse of a city bank, following the failure of Sanyo Securities, which filed a request for the application of the Corporation Rehabilitation Law, it is now feared that a sense of uneasiness over the Japanese financial system may sweep across the nation. With calls for using money from the state coffers being Since their contract renewals in the past have never involved advertisements for lowest bidders, it makes no sense to me to apply this rule in this case considered politically taboo, the Government and ruling parties have been slow to take action. Under such a situation, pessimism is growing about the future of the Japanese economy.

On the 17th, when Takugin executives gave an emergency press conference, the average stock price on the Tokyo stock exchange market, which had been anticipated to continue to drop, shot up by 1,200 yen from the level registered last weekend.

"This is a stronger rally than expected. I did not notice the bad loans problem was affecting the market to this point," said Liberal Democratic Party (LDP) Secretary General Koichi Kato. Executives of the Ministry of Finance (MOF) are now relieved at the "Takushoku shock" having exerted no effect on the market.

This reflects market players' judgment that "the Government will start earnest discussion, including measures to inject public funds," to end crises arising from massive non-performing loans held by financial institutions. But as seen from Finance
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DEPT PASS ELECTRONICALLY TO USDA FAS/ITP FOR SCHROETER

E.O. 12958: N/A
TAGS: PGOV, PINR, JA
SUBJECT: JAPANESE DAILY PRESS SUMMARY 11/18/97

Minister Mitsuzuka's posture of avoiding a definite view in a press briefing regarding an introduction of public funds, there is fear that such market participants' hopes and expectations may be dashed. A scenario cannot be ruled out in which stock prices will plummet again as a pessimistic mood sets in the market. Uncertain factors are still gripping the market.

Takugin President Sadamasa Kawatani suddenly came up to the capital and made an emergency report to senior MOF officials at a hotel in Tokyo late at night of the 14th: "Being unable to procure capital from the market, our company finds it difficult to continue business operations any longer."

At that time, MOF was examining minutely how much of an accumulation of bad loans that Takugin has. Senior MOF officials who were waiting for the outcome of the examination, were astonished to learn the "unexpected development" that the capital-procurement market turned its back on Takugin.

MOF was beset also with other issues to resolve on the weekend. With calls growing for economic pump-priming measures that require fiscal disbursements, it needed to carry out final-stage coordination. Reflecting the plummet in stock prices and active yen-selling moves, the problem of the Japan premium (adoption of higher interest rates for Japanese banks) that symbolizes distrust of Japan has also floated up. MOF was being pressed to map out measures to apply the brakes on the "Japan-selling" trend.

Although the Government itself recognizes that "the economy is at a standstill," its generally-decided economic package, focusing on deregulation and land-liquidity measures, includes many measures that are no more than just revisions of existing regulatory measures, with resistance from bureaucrats and related industries.

In the background is the government's and ruling parties' motives to skirt a full-dressed economic

debate before the fiscal structural reform bill, which is now under deliberation at the Upper House, is enacted, giving top priority to the legislation.

In addition, close aides to Prime Minister Hashimoto, policymakers in the ruling camp and bureaucrats have paid attention to what plan will come out to streamline central government offices as part of the administrative reform scheme, because it will directly link to their interests. So specific policy measures have yet to be discussed. As economic sluggishness and unease over the financial system become more serious, the lack of policy measures stands out in bold relief.

In the business world, an argument for using taxpayers' money to resolve financial debacles, though viewed as taboo, has been gaining influence since the jusen (housing loan companies) fiasco.

UNCLAS SECTION 11 OF 11 TOKYO 010018

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
DEPT PASS USTR FOR PUBLIC AFFAIRS OFFICE
DEPT PASS ELECTRONICALLY TO USDA FAS/ITP FOR SCHROETER

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SUBJECT: JAPANESE DAILY PRESS SUMMARY 11/18/97

Despite such a situation, no debate has been conducted on whether public funds should be used or what conditions should be attached. Visiting United States Deputy Treasury Secretary Lawrence Summers stated on the 17th, "The injection of public funds is sometimes necessary. It is imperative to promptly adjust the financial system." Now that it is apparent that the fund for deposit insurance will run short with the need to clear up Takugin's ailing loans, the Government and ruling camp are required to discuss the public fund-injection issue.

Regarding the sticky issue of breaking way MOF's financial and fiscal functions as part of administrative reform debate, too, debates in the ruling camp focus mainly on breaking apart the "MOF we hate," leaving specific measures untouched. They need to pursue how to deal with the ongoing financial crisis that has led one of city banks collapse.

The failure of Takugin is a warning from the market to the Japanese government and ruling camp, which

have prepared no policy measures The Hashimoto Administration is now pressed to make its determination on how to reconstruct the Japanese economy.

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RUALSFJ/COMUSJAPAN YOKOTA AB JA//J5/JO21//
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RHEHAAA/WHITE HOUSE WASHDC
RUEAIIA/CIA WASHDC
RHHMUNA/USCINCPAC HONOLULU HI//USIA//
RUEKJCS/JOINT STAFF WASHDC//J5//
RUEKJCS/SECDEF WASHDC
SUBJ: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 19

TOP HEADLINES:

TEXT:
UNCLAS SECTION 01 OF 10 TOKYO 010045

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 NOVEMBER 19

TOP HEADLINES:

ASAHI: THREE POSTAL SERVICES TO REMAIN AS STATE-RUN
BODIES; ACCORD REACHED AMONG THREE RULING PARTIES; NOTION
OF "INDEPENDENT ADMINISTRATIVE CORPORATION" PUT ON SHELF;
TYPE OF ORGANIZATION WILL BE CONSIDERED OVER NEXT FIVE
YEARS

NIHON KEIZAI: GOVERNMENT'S ADMINISTRATIVE REFORM PANEL DETERMINES ADOPTION OF INDEPENDENT ADMINISTRATIVE CORPORATION SYSTEM; NUMBER OF NATIONAL PUBLIC SERVANTS PLANNED TO BE SLICED IN 2001

TOKYO SHIMBUN: RULING PARTIES REACH AGREEMENT TO RETAINING POSTAL SERVICES AS "FULL STATE-RUN BODIES"; SHIFTING INTO PUBLIC CORPORATIONS AND THE LIKE PUT ON SHELF; THREE NON-CLERICAL SECTORS, SUCH AS FORESTRY, WILL ALSO BE RECONSIDERED FIVE YEARS HENCEFORTH; HASHIMOTO'S ADMINISTRATIVE REFORM "IS NOW BACK WHERE IT STARTED"

MAINICHI: THREE RULING PARTIES CONFIRM "POSTAL SERVICES WILL REMAIN AS A UNITED STATE-RUN BODY"; REVIEW TO BE MADE IN FIVE YEARS; PRIVATE-SECTOR'S ACCESS TO POSTAL SERVICES WILL BE CONSIDERED

YOMIURI: HOW TO DO WITH THREE POSTAL SERVICES WILL BE COORDINATED UNDER THE NOTION OF SHIFTING THEM INTO "A NEW PUBLIC CORPORATION" IN FIVE YEARS; PRIME MINISTER TO MAKE A POLITICAL DECISION; RULING PARTIES CONFIRMS STATE-RUN MANAGEMENT

SANKEI: GOVERNMENT'S ADMINISTRATIVE REFORM PANEL'S ENTRUST FIVE ITEMS -- SUCH AS THREE POSTAL SERVICES AND SEPARATION OF FISCAL AND FINANCIAL FUNCTIONS -- ENTIRELY TO PRIME MINISTER'S JUDGMENT; INDEPENDENT ADMINISTRATIVE PUBLIC CORPORATION WILL TREAT ITS EMPLOYEES UNDER TWO KINDS OF STATUSES

THREE RULING PARTIES AGREE TO KEEP POSTAL SERVICES STATE OPERATED FOR TIME BEING (ASAHI - TOP PLAY)

ON THE ISSUE OF HOW TO HANDLE THREE GOVERNMENT-RUN POSTAL SERVICES IN THE PROCESS OF RESTRUCTURING THE ORGANIZATION OF CENTRAL GOVERNMENT MINISTRIES AND AGENCIES, THE TRIPARTITE RULING CAMP OF THE LIBERAL DEMOCRATIC PARTY, SOCIAL DEMOCRATIC PARTY, AND SAKIGAKE PARTY HELD A CONSULTATIVE MEETING ON THE 18TH TO DISCUSS ADMINISTRATIVE REFORM. AS A RESULT, THE THREE RULING PARTIES, PREMISING THEMSELVES ON THE PRINCIPLE OF MAINTAINING ALL THE THREE POSTAL SERVICES AS ONE SET UNDER GOVERNMENT MANAGEMENT, HAVE NOW REACHED AN AGREEMENT ON SUCH MATTERS AS TO: (1) STUDY A REVIEW OF MANAGEMENT MODALITY AND FUNCTIONS OVER THE NEXT FIVE YEARS OR SO; (2) ABOLISH THE CURRENT SYSTEM OF DEPOSITING POSTAL SAVINGS IN THE TRUST FUND BUREAU AND PLACE POSTAL SAVINGS UNDER FULLY INDEPENDENT MANAGEMENT; AND (3) ALLOW PRIVATE-SECTOR FIRMS TO ACCESS MAIL SERVICE AND STUDY CONDITIONS. ON THE OTHER HAND, THE GOVERNMENT'S ADMINISTRATIVE REFORM PANEL (CHAIRLED BY PRIME MINISTER RYUTARO HASHIMOTO) IS STILL THINKING OF PLACING THE THREE SERVICES UNDER THE MANAGEMENT OF INDEPENDENT ADMINISTRATIVE CORPORATIONS (OR AGENCIES). HOWEVER, THE OUTLOOK, NOW PREVAILING AMONG THE RULING PARTIES, IS THAT THE PRIME MINISTER AND HIS GOVERNMENT'S ADMINISTRATIVE REFORM PANEL WILL EVENTUALLY HAVE TO ACCEPT THE

CONCLUSION THAT HAS BEEN REACHED BY THE RULING PARTIES INVOLVING THE LDP'S POLICY CLIQUES FOR THE POSTAL SERVICES.

-- MATTERS CONFIRMED BY THE RULING PARTIES ON THE THREE POSTAL SERVICES

UNCLAS SECTION 02 OF 10 TOKYO 010045

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 NOVEMBER 19

THE GOVERNMENT IS TO MAINTAIN ALL THE THREE POSTAL SERVICES AS ONE SET UNDER ITS MANAGEMENT. THOSE ENGAGED IN THE THREE POSTAL SERVICES ARE TO BE TREATED AS NATIONAL PUBLIC SERVICE PERSONNEL WITHIN THE SCOPE OF THE NATIONAL GOVERNMENT ORGANIZATION LAW AND ARE TO COME UNDER THE GOVERNMENT OFFICIALS LAW. IN OPERATING THE SERVICES, THE GOVERNMENT IS TO PURSUE EFFICIENCY FROM THE PERSPECTIVE OF ITS NATIONAL SERVICE AND IS TO ENDEAVOR FOR FLEXIBLE ORGANIZATIONAL MANAGEMENT. THE GOVERNMENT IS TO STUDY MANAGEMENT MODALITY AND FUNCTIONS FOR A PERIOD OF FIVE YEARS OR SO. THE GOVERNMENT IS TO BEGIN IMMEDIATELY TO STUDY CONDITIONS FOR THE PRIVATE SECTOR'S ACCESS TO MAIL SERVICE. THE GOVERNMENT IS TO ABOLISH ITS CURRENT SYSTEM OF DEPOSITING POSTAL SAVINGS IN ITS FISCAL LOANS AND INVESTMENT PROGRAM AND IS TO PLACE POSTAL SAVINGS UNDER FULLY INDEPENDENT MANAGEMENT. THE GOVERNMENT IS TO STUDY RATIONAL STANDARDS FOR ITS TRANSFER OF SURPLUS FUNDS TO ITS NATIONAL TREASURY, INCLUDING ITS PROPRIETY. THE GOVERNMENT IS TO STUDY ITS BOUNTY (OR INCENTIVE) SYSTEM ALONG WITH A REVIEW OF MANAGEMENT MODALITY. THE GOVERNMENT IS TO HANDLE THE SECTORS OF FORESTRY, PRINTING, AND MINT SERVICES IN THE SAME WAY.

-- COMMENTARY: THE PRIME MINISTER BARES HIS LACK OF LEADERSHIP

DISCUSSIONS OVER THE ISSUE OF REVIEWING THE THREE POSTAL SERVICES HAVE ONLY SPOTLIGHTED POLITICAL TURMOIL. IN THE END, THE GOVERNMENT IS NOW HIGHLY LIKELY TO RETURN TO THE START. NOW, THE IMPRESSION IS INEVITABLY GROWING STRONG THAT THE "HASHIMOTO ADMINISTRATIVE REFORM" INITIATIVE WOULD BE RESULTING ONLY IN A GAME OF JUGGLING THE ORGANIZATIONS OF CENTRAL GOVERNMENT MINISTRIES AND AGENCIES. PRIME MINISTER RYUTARO HASHIMOTO, WHO WILL

SHOW HIS OWN DECISION ON OR AFTER THE 19TH, IS NOW ON THE BRINK.

THE PRIMARY CAUSE OF SUCH STRAYING IS THE PRIME MINISTER'S LACK OF LEADERSHIP, AFTER ALL. THE PRIME MINISTER HAS NOTED: "THE BIGGEST PROBLEM ABOUT POSTAL SAVINGS IS THAT (DEPOSITED) FUNDS FLOWING FROM FISCAL LOANS AND INVESTMENTS TO SPECIAL-STATUS CORPORATIONS OR GOVERNMENT-AFFILIATED ORGANIZATIONS ARE WASTED." SO, HE PERHAPS WANTS TO STRESS THAT ABOLISHING THE SYSTEM OF DEPOSITING POSTAL SAVINGS IN THE TRUST FUND BUREAU IS RATHER THE KEY POINT.

HOWEVER, MONEY MARKET LIBERALIZATION IS NOW GOING ON. IF THE GOVERNMENT, IN SUCH A SITUATION, IS GOING TO REFORM THE WAY OF "OUTGOINGS" FROM THAT HUGE "NATIONAL BANK," THEN IT WOULD BE UNAVOIDABLE TO HOLD TOTAL DISCUSSIONS INCLUDING ITS "INCOMINGS" AS WELL. THE PRIME MINISTER HAS NEVER SHOWN ANY STANCE OF FRONTALLY CHALLENGING SUCH DEBATE. THIS, EVENTUALLY, HAS WARPED DISCUSSIONS OVER A REFORM OF THE POSTAL SERVICES.

THE PRIME MINISTER, SINCE THE ONSET OF ROLLBACK ARGUMENTS AGAINST HIS ADMINISTRATIVE REFORM PANEL'S INTERIM REPORT, HAS BEEN STICKING TO PROTECTING THE PANEL-PROPOSED FRAMEWORK OF REORGANIZING THE CENTRAL GOVERNMENT MINISTRIES AND AGENCIES INTO ONE OFFICE AND 12 MINISTRIES AND AGENCIES, AS WELL AS TO HIS OWN IDEA OF ESTABLISHING A MINISTRY OF ENVIRONMENTAL SECURITY AND SOME OTHER NEW MINISTRIES. ON THE OTHER HAND, THE PRIME MINISTER -- PROBABLY BECAUSE HE IS WORRIED ABOUT CRITICISM AT "NUMBER-MATCHING" -- HAS RECENTLY ORDERED HIS STAFF TO LAUNCH AN OUTLOOK FOR "REDUCING THE NUMBER OF BUREAUS AND DIVISIONS" IN THE CENTRAL GOVERNMENT MINISTRIES AND AGENCIES.

IN ORDER FOR THE GOVERNMENT TO SLIM THE STRUCTURE OF ITS UNCLAS SECTION 03 OF 10 TOKYO 010045

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 NOVEMBER 19

ADMINISTRATIVE ORGANIZATIONS, HOWEVER, THE GOVERNMENT WILL HAVE TO MAKE IT A BASIC PRINCIPLE TO TRANSFER ITS JOBS TO THE PRIVATE SECTOR, IN ADDITION TO GOING AHEAD WITH DECENTRALIZATION. IN OTHER WORDS, HOW TO PAVE THE WAY FOR THE THREE POSTAL SERVICES WAS A SYMBOL FOR THAT.

PRIOR TO THE PANEL'S FINAL REPORT, THE "HASHIMOTO ADMINISTRATIVE REFORM" INITIATIVE IS NOW BEING URGED TO PAY FOR ITS MISTAKEN STEPS OF PROCEDURE.
(TETSUYA OKAZAKI, POLITICAL SECTION)

PRIME MINISTER LOSES THREE REFORM ISSUES TO POLICY CLIQUES (ZOKU) IN THE DIET (MAINICHI - PAGE 2)

PRIME MINISTER RYUTARO HASHIMOTO HAS BEEN AT ODDS WITH THE BUREAUCRACY AND POLICY CLIQUES AMONG LAWMAKERS IN THE DIET ON HOW TO HANDLE PRIORITY ITEMS IN ADMINISTRATIVE REFORM, SUCH AS THE THREE POSTAL SERVICES. ASSESSING THE RESULTS OF ONGOING EFFORTS IN THE ADMINISTRATIVE REFORM PROCESS, THE PRIME MINISTER HAD NO "WINS" AS OF YESTERDAY, THE SECOND DAY OF INTENSIVE REFORM PANEL DELIBERATIONS. SPECIFICALLY, THE RESULTS TO DATE IN THE FOUR HIGH-POLITICAL-PROFILE REFORMS GIVE THE PRIME MINISTER NO WINS AND THREE LOSSES. THE OUTCOME FOR "REFORM OF INFORMATION AND TELECOMMUNICATIONS ADMINISTRATION" IS STILL UNCERTAIN. ALSO YESTERDAY, THE CONFERENCE ON ADMINISTRATIVE REFORM (CAR) DECIDED TO ENTRUST HANDLING OF THE REMAINING TASKS ENTIRELY TO THE CHAIRMAN (PRIME MINISTER HASHIMOTO), BUT THE QUESTION NOW IS HOW WILL PRIME MINISTER FIGHT BACK?

TO SCORE THE RESULTS OF HASHIMOTO'S ADMINISTRATIVE REFORM EFFORTS, THE CAR'S INTERIM REPORT WAS USED AS THE STANDARD MEASURE. RESULTS THAT HAVE WIDELY RETREATED FROM THE PROPOSALS IN THE INTERIM REPORT ARE JUDGED AS "LOSSES" FOR THE PRIME MINISTER. ON REFORM OF "INFORMATION AND TELECOMMUNICATIONS ADMINISTRATION," THE NOTION OF COMBINING THE POSTAL SERVICES MINISTRY AND THE TRANSPORT MINISTRY INTO A "TRANSPORT AND TELECOMMUNICATIONS MINISTRY" HAS SURFACED IN THE RULING CAMP, BUT THE PRIME MINISTER FLATLY DENIES THE POSSIBILITY, SO THIS AREA MAY BE THE ONLY CHANCE OF HIS SCORING A "WIN." ENCOUNTERING HIS REFUSAL TO ACCEPT "A TRANSPORT AND TELECOMMUNICATION MINISTRY," THE RULING PARTIES, STILL TENACIOUS IN THEIR APPROACH, ARE NOW OFFERING AN ALTERNATIVE IDEA OF SETTING UP "AN INFORMATION AND TELECOMMUNICATIONS AGENCY" IN "A CABINET OFFICE" AND INSTALLING A MINISTER IN CHARGE.

RESULTS OF PRIME MINISTER'S EFFORTS IN FOUR ITEMS
(AS OF THE SECOND DAY OF INTENSIVE DELIBERATIONS)

W EQUAL WIN L EQUAL LOSS

PRIME	ROLLBACK BY	PRIME
MINISTER'S	BUREAUCRATS AND	MINISTER'
DESIRES (AS	POLICY CLIQUE	S RESULTS
ARE SHOWN IN	LEGISLATORS	
THE INTERIM		
REPORT)		

THREE	7	7	RETAINING	L
POSTAL	PRIVATIZATION	THREE	SERVICES	

SERVICES OF POSTAL IN A ONE
 INSURANCE GOVERNMENT-
 7 PREPARING OPERATED BODY
 CONDITIONS FOR7 SHELIVING
 PRIVATIZATION ADOPTION OF A
 OF POSTAL "NEW STYLE OF
 SAVINGS PUBLIC
 7 RETAINING CORPORATION"
 MAIL DELIVERY

UNCLAS SECTION 04 OF 10 TOKYO 010045

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 NOVEMBER 19

AS A STATE-RUN
 BUSINESS

INFORMAT 7 "THREE POSTAL ?
 ION AND TELECOMMUNICATSERVICES" SHOULD
 TELECOMM IONS AND BE SUPERVISED BY
 UNICATIO BROADCASTING A TRANSPORT AND
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 OF THE
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 AND
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 "AN INDUSTRIAL
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SEPARATI KEENLY 7 UNDER THE L
 ON OF CONSIDERING CURRENT COMPLEX
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 TAX ORDER TO SEPARATION IS
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FROM AS WELL AS TO FROM THE POINT
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MINISTRY EFFICIENCY OF AUTONOMY.
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THE TRANSPORT INTEGRATED INTO
MINISTRY WILL A "NATIONAL LAND
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DEVELOPMENT 7 THE
MINISTRY. AGRICULTURE,
7 THE RIVER FORESTRY AND
BUREAU AND THE FISHERIES
AGRICULTURE, MINISTRY WILL
FORESTRY AND REMAIN INTACT.
FISHERIES
MINISTRY WILL
BE COMBINED
INTO A
"NATIONAL LAND
PRESERVATION
MINISTRY.

(NORIE UENO)

HASHIMOTO DIRECTLY NEGOTIATES WITH COALITION PARTIES ON
REFORM ISSUES (NIHON KEIZAI - PAGE 2)
PRIME MINISTER RYUTARO HASHIMOTO YESTERDAY OBTAINED
APPROVAL FROM ALL THE CABINET MINISTERS AND THE
CONFERENCE ON ADMINISTRATIVE REFORM (CAR) FOR HIS TAKING
THE INITIATIVE IN FINALIZING THE CAR'S REPORT. IT HAS
UNCLAS SECTION 05 OF 10 TOKYO 010045

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;
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FLT/PA; COMNAVFORJAPAN/PA.

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS NOVEMBER 19

BEEN DECIDED THAT SUCH PENDING ISSUES AS A REVIEW OF THE
THREE STATE-RUN POSTAL SERVICES WILL BE RESOLVED THROUGH
DIRECT NEGOTIATIONS BETWEEN THE PRIME MINISTER AND THE

RULING CAMP. AS A RESULT, THE FATE OF "HASHIMOTO'S ADMINISTRATIVE REFORM" HAS BEEN LEFT TO THE PRIME MINISTER'S OWN POLITICAL DECISION.

AFTER THE INFORMAL CABINET MEETING ON THE 18TH, HEALTH AND WELFARE MINISTER KOIZUMI, WHO HAS STRONGLY CALLED FOR PRIVATIZATION OF THE THREE POSTAL SERVICES, TOLD THE PRIME MINISTER: "I WOULD LIKE YOU TO DO YOUR BEST WITH IRREVOCABLE RESOLVE." HASHIMOTO THEN REPLIED VIGOROUSLY: "I UNDERSTAND." LAST EVENING, DURING A SHORT BREAK OF THE INTENSIVE DELIBERATIONS OF THE UPPER HOUSE BUDGET COMMITTEE, HASHIMOTO HAD A SHORT CONVERSATION WITH LIBERAL DEMOCRATIC PARTY'S UPPER HOUSE SECRETARY GENERAL MASAKUNI MURAKAMI, WHO HAS STRONGLY CALLED FOR MAINTAINING THE THREE POSTAL SERVICES AS STATE-RUN OPERATIONS. THE TWO SEEM TO HAVE EXCHANGED VIEWS OVER THE ISSUE OF THE REFORM OF THE THREE POSTAL BUSINESSES AND THE LIKE. AFTER THE CONVERSATION, THEY SHOOK HANDS FIRMLY WITH EACH OTHER.

AFTER THE CAR RELEASED THE INTERIM REPORT IN SEPTEMBER, NEGATIVE REACTIONS HAVE ERUPTED IN THE RULING PARTIES TOWARD THE NOTION OF PRIVATIZING PORTION OF THE THREE POSTAL SERVICES. UNDER SUCH CIRCUMSTANCES, THE OUTLOOK IS THAT A REVISION OF THE INTERIM REPORT WILL BE INEVITABLE. GIVING CONSIDERATION TO SUCH A SITUATION, THE PRIME MINISTER WILL LIKELY MAKE A JUDGMENT THAT A CERTAIN LEVEL OF CONCESSION ON A REVISION IS UNAVOIDABLE. AT THE SAME TIME, (HIS AIDE SAID) "WE ARE SERIOUSLY CONCERNED THAT COMPILING THE FINAL REPORT BY YIELDING TO THE RULING CAMP "MIGHT IMPLANT THE IMPRESSION THAT THE HASHIMOTO ADMINISTRATIVE REFORM EFFORT HAS RETREATED."

PRIME MINISTER HASHIMOTO APPARENTLY HAS A SCENARIO THAT WHILE GROPING FOR A "SETTLEMENT LINE" WITH THE RULING CAMP THROUGH COORDINATION WITH MANAGEMENT AND COORDINATION AGENCY DIRECTOR GENERAL SADATOSHI OZATO AND OTHER OFFICIALS, HE WILL PREPARE CIRCUMSTANCES UNDER WHICH HE WILL BE ABLE TO MAKE A DECISION.

A HIGH-LEVEL GOVERNMENT OFFICIAL YESTERDAY, REFERRING TO THE CONFIRMATION ON THE THREE POSTAL BUSINESSES REACHED AT THE RULING BLOC'S ADMINISTRATIVE REFORM COUNCIL, COMMENTED: "THE RULING PARTIES DO NOT THINK THIS IS FINAL. REAL COORDINATION WILL BE CARRIED OUT BETWEEN THE CAR AND THE RULING CAMP." THE OFFICIAL INDICATED HIS PERCEPTION THAT THE CONFIRMATION WAS A "KIND OF LODGING OF THE ISSUE ON OUR OWN AS RULING PARTIES," AIMING AT A FINAL COORDINATION. MCA DIRECTOR GENERAL OZATO ALSO YESTERDAY TRANSMITTED HIS INTENTION TO LDP SECRETARY GENERAL KOICHI KATO THAT HE WOULD LIKE TO FIND COMMON GROUND THAT THE THREE POSTAL SERVICES WOULD BE OPERATED AS A "NEW-TYPE OF A PUBLIC CORPORATION." THE PRIME MINISTER APPEARS TO BE THINKING THAT IT WOULD BE POSSIBLE FOR HIM TO COORDINATE VIEWS WITH THE RULING SIDE UNDER HIS LEADERSHIP BY SHIFTING THE OPERATION OF THE THREE POSTAL BUSINESSES TO A NEW PUBLIC CORPORATION.

SAKIGAKE BACKPEDALS ON FULL SEPARATION OF FISCAL AND
FINANCE FUNCTIONS FROM FINANCE MINISTRY
(TOKYO SHIMBUN - PAGE 2)

SAKIGAKE IS NOW SEEKING A COMPROMISE AGREEMENT ON THE
ISSUE OF WHETHER TO BREAK AWAY THE FINANCIAL AND FISCAL
FUNCTIONS FROM THE MINISTRY OF FINANCE -- A STUMBLING
BLOCK IN (ADMINISTRATIVE REFORM) TALKS AMONG THE LIBERAL
DEMOCRATIC PARTY (LDP), SOCIAL DEMOCRATIC PARTY (SDP) AND
SAKIGAKE ITSELF. DURING A SESSION HELD YESTERDAY BY
RESPONSIBLE POLICYMAKERS OF THE THREE RULING PARTIES,
UNCLAS SECTION 06 OF 10 TOKYO 010045

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 NOVEMBER 19

SAKIGAKE, IN A SWITCH FROM ITS PREVIOUS STANCE OF
INSISTING ON COMPLETE SEPARATION, TOOK THE VIEW THAT
KEEPING THE RESPONSIBILITY OF INTERNATIONAL MONETARY
POLICY CONTROL WITHIN MOF WOULD BE UNAVOIDABLE. MOVES
ARE ALSO OBSERVED TO AIM AT REACHING A CONCLUSION BY
TALKS OF THE "THREE PARTY HEADS." THE POSSIBILITY THUS
HAS GROWN THAT THE THREE PARTIES WILL REACH AN AGREEMENT.

IN YESTERDAY'S SESSION, THE SAKIGAKE REPRESENTATIVE
INSISTED ON THE NEED FOR FULL SEPARATION BUT INDICATED A
FLEXIBLE STANCE ABOUT THE IDEA OF LEAVING THE FUNCTION OF
INTERNATIONAL MONETARY CONTROL, INCLUDING STABILITY OF
FOREIGN EXCHANGE RATES, UNDER THE CONTROL OF MOF, AS SEEN
FROM THE REMARK OF POLICY AFFAIRS RESEARCH COUNCIL
CHAIRMAN SEIICHI MIZUNO, "THERE IS ROOM FOR
CONSIDERATION." REGARDING THE DUTY OF LIQUIDATING
FINANCIAL FAILURES, HE CALLED FOR "SEPARATION."

IN CONTRAST, THE LDP REMAINED CONFIDENT, EMPHATICALLY
SAYING THAT MARKET PLAYERS HAVE REACTED FAVORABLY TO THE
WAY OF DEALING WITH HOKKAIDO TAKUSHOKU BANK'S COLLAPSE
WITH SUCH MEASURES AS SPECIAL LOANS BY THE BANK OF JAPAN.
STOCK PRICES ON THE 17TH SHOT UP, WITH THE OBSERVATION
PREVAILING THAT "THE GOVERNMENT WILL USE MONEY FROM THE
STATE COFFERS TO CLEAR AWAY NONPERFORMING LOANS." WITH
SUCH GROWING CALLS AS, "THIS IS THE VERY REASON WHY THE
FUNCTION TO DISPOSE OF FINANCIAL FAILURES SHOULD BE KEPT
IN MOF" (POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN TAKU
YAMASAKI), THE SAKIGAKE'S ARGUMENT FOR "SEPARATION" NOW
FACES AN ADVERSE WIND.

THE SAKIGAKE HOPES THAT THE ISSUE OF BREAKING AWAY THE FINANCIAL CRISIS MANAGEMENT FUNCTION FROM MOF WILL BE SETTLED BY LETTING FORMER LEADER MASAYOSHI TAKEMURA, WHO HEADS THE PARTY'S ADMINISTRATIVE REFORM HEADQUARTERS, HOLD DIRECT NEGOTIATIONS WITH PRIME MINISTER RYUTARO HASHIMOTO. THE AIM OF THE SAKIGAKE IS "TO HOLD SUBSTANTIVE NEGOTIATIONS" (SECRETARY GENERAL HIROYUKI SONODA) WITH THE PRIME MINISTER, BUT THE PARTY ONCE INSISTED THAT COMPLETE SEPARATION WAS AN ABSOLUTE CONDITION FOR THE PARTY TO CONTINUE TO OFFER NON-CABINET COOPERATION."

HOWEVER, SONODA IN A MEETING WITH YAMASAKI LAST NIGHT TOLD HIM, "WE CANNOT YIELD TO YOU ON THIS ISSUE." NO ONE CAN PREDICT WHAT WILL HAPPEN DURING COORDINATION WORK.

ECONOMIC CIRCLES LAUD DEREGULATORY ASPECTS OF PUMP-PRIMING PACKAGE BUT STILL WANT TAX CUT
(NIHON KEIZAI - PAGE 11)

THE GOVERNMENT YESTERDAY RELEASED A PACKAGE OF EMERGENCY ECONOMIC STIMULUS MEASURES. THE ECONOMIC COMMUNITY'S RESPONSE TO THE PACKAGE HAS BEEN FAVORABLE, WITH KEIDANREN (FEDERATION OF ECONOMIC ORGANIZATIONS) CHAIRMAN SHOICHIRO TOYODA COMMENTING, "I WANT TO GIVE HIGH MARKS TO THE PACKAGE, FOR IT CONTAINS UNPRECEDENTEDLY BOLD DEREGULATORY STEPS FOR SUCH BROAD AREAS AS LAND TRANSACTIONS, INFORMATION AND COMMUNICATIONS, FINANCIAL SERVICES, AND PUBLIC SECURITY." HOWEVER, KOSAKU INABA, PRESIDENT OF THE JAPAN CHAMBER OF COMMERCE AND INDUSTRY, REQUESTED, "THE PROBLEM IS WHETHER THE PACKAGE CAN PRODUCE EFFECTS IMMEDIATELY. NOW IT IS NECESSARY TO BOLSTER THE ECONOMY, RESORTING TO EVERY MEANS. CUTS IN THE CORPORATE TAX IN REAL TERMS ARE ABSOLUTELY NECESSARY. WE WANT THE GOVERNMENT TO MULL MEASURES TO SPARK PERSONAL SPENDING."

NIKKEIREN (JAPAN FEDERATION OF EMPLOYERS' ASSOCIATIONS) CHAIRMAN JIRO NEMOTO HIGHLY EVALUATED THE MEASURE FOR IMPROVING A LOAN SYSTEM FOR MEDIUM AND SMALL-SIZED BUSINESSES, BUT HE URGED IMMEDIATE CONSIDERATION BE GIVEN
UNCLAS SECTION 07 OF 10 TOKYO 010045

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 NOVEMBER 19

TO THE HEALTH OF THE FINANCIAL SYSTEM, SAYING, "THE

INTRODUCTION OF PUBLIC FUNDS MAY BE UNAVOIDABLE." KEIZAI-DOYUKAI (JAPAN ASSOCIATION OF CORPORATE EXECUTIVES) REPRESENTATIVE SECRETARY JIRO USHIO ANALYZED, "THE MEASURES RELEASED THIS TIME ARE MORE CONCRETE THAN I HAD EXPECTED. THEY WILL PRODUCE CONSIDERABLE EFFECTS, IF THEY ARE IMPLEMENTED TO THE LETTER." HOWEVER, HE ALSO EXPRESSED SOME DISSATISFACTION, "THE PACKAGE DOES NOT PROVIDE MANY TRAIL-BLAZING DEREGULATORY STEPS REGARDING THE DISTRIBUTION AND TRANSPORT SECTOR AND THE LARGE-SCALE RETAIL STORE LAW."

THE DOMINANT VIEW HEARD IN INDUSTRIAL CIRCLES ON THE PACKAGE'S CASH WINDFALL EFFECT WAS: "THE CONTENTS OF THE PACKAGE COVER THE MEDIUM TO LONG TERM PERSPECTIVE, AND SO, NOT MUCH CAN BE EXPECTED FROM THE VIEWPOINT OF THEIR IMMEDIATE EFFECTS" (KOMATSU PRESIDENT AKIRA YASUZAKI). CALLS FOR FAR-REACHING MEASURES, INCLUDING INCOME TAX CUTS, WERE OVERWHELMINGLY STRONG. DAIEI PRESIDENT ISAO NAKAUCHI STRESSED, "THE GOVERNMENT SHOULD IMPLEMENT AS SOON AS POSSIBLE SPECIFIC MEASURES TO BOLSTER THE ECONOMY, BASED ON THE WHOLE PICTURE OF BASIC STRUCTURAL REFORM."

MANY CALLED FOR INCOME TAX CUTS AS A MEASURE TO BUOY UP THE ECONOMY. CHAIRMAN HAJIME MURATA (PRESIDENT OF SHOWA DENKO) OF THE JAPAN CHEMICAL INDUSTRY ASSOCIATION REQUESTED, "ECONOMIC STIMULUS MEASURES SHOULD CONCENTRATE ON AREAS, SUCH AS THE HOUSING-RELATED SECTOR, WHERE EFFECTS CAN BE EXPECTED." HIS STATEMENT IS BASED ON THE READING THAT IF CONSUMERS BECOME EAGER TO PURCHASE HOUSES, IT WILL SPUR THEIR ASPIRATION FOR SPENDING IN WIDE-RANGING AREAS, SUCH AS FURNITURE AND HOUSEHOLD ELECTRICAL APPLIANCES."

IN THE MEANTIME, MEASURES FOR PROMOTING LAND LIQUIDITY, WHICH WERE INCLUDED AS THE CENTERPIECE OF THE EMERGENCY ECONOMIC STIMULUS PACKAGE GENERALLY RECEIVED HIGH MARKS. EXAMPLES ARE: "THERE IS A POSSIBILITY THAT SUCH MEASURES WILL LEAD TO SALES OF NEW CARS. I CAN ON THE WHOLE GIVE IT A PASSING MARK" (HEIICHI HAMAOKA, VICE PRESIDENT OF NISSAN MOTORS), AND "THE PACKAGE INCORPORATES MEASURES TO PROMOTE LAND LIQUIDITY IN A COMPREHENSIVE WAY" (JUNICHIRO TANAKA, DIRECTOR OF THE REAL ESTATE DEVELOPERS ASSOCIATION AND PRESIDENT OF MITSUI REAL ESTATE DEVELOPMENT).

YOSHIHIRO SUZUKI, VICE PRESIDENT OF NEC SEES STEPS DESIGNED TO CONSOLIDATE THE INFORMATION AND COMMUNICATIONS INFRASTRUCTURE NETWORKS: "I ON THE PART OF THE INDUSTRY WORLD WANT TO GIVE HIGH MARKS TO THE PROPOSED MEASURES, BUT THEY ARE PIECEMEAL MEASURES AND LACK VIGOR."

GOVERNMENT PRESSURED BY BUSINESS, MOST POLITICAL PARTIES, AND U.S. FOR STIMULATIVE TAX CUT (ASAHI - PAGE 3)

THE GOVERNMENT YESTERDAY RELEASED A PACKAGE OF EMERGENCY ECONOMIC STIMULUS MEASURES, BUT SINCE THERE WERE NO

MEASURES INVOLVING FISCAL DISBURSEMENTS, NO IMMEDIATE EFFECTS CAN BE EXPECTED FROM IT. THE LACK OF QUICK-FIX STEPS IS DUE TO TASKS IMPOSED ON THE GOVERNMENT, NAMELY, REFORMING THE FISCAL STRUCTURE AND SHORING UP THE ECONOMY, WHICH CANNOT BE EASILY CARRIED OUT SIMULTANEOUSLY. HOWEVER, THE ECONOMIC COMMUNITY AND THE RULING AND OPPOSITION CAMPS ARE LIKELY TO FURTHER STEP UP THEIR DEMAND FOR SUBSTANTIVE TAX BREAKS. THE UNITED STATES ALSO HAS HEIGHTENED ITS INTEREST IN JAPAN'S ECONOMY AND ITS DOMESTIC DEMAND-BOOSTING MEASURES. THE ISSUE IS BOUND TO BE BROUGHT UP AS ONE OF THE MAJOR AGENDA ITEMS AT THE BILATERAL SUMMIT MEETING TO BE HELD ON THE SIDELINES OF THE CONFERENCE OF THE ASSOCIATION OF UNCLAS SECTION 08 OF 10 TOKYO 010045

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 NOVEMBER 19

ASIA-PACIFIC ECONOMIC COOPERATION (APEC) NEXT WEEK.

AT THE CABINET MEETING ON ECONOMIC POLICY MEASURES HELD YESTERDAY, PRIME MINISTER RYUTARO HASHIMOTO STATED, "I WANT TO VIGOROUSLY FACILITATE THE PACKAGE IN ORDER TO WIPE OUT UNCERTAINTY OVER THE FUTURE OF THE ECONOMY NOW GRIPPING COMPANIES AND CONSUMERS AND PUT OUR ECONOMY ON THE PATH FOR PRIVATE-DEMAND-DRIVEN STABLE GROWTH." HE EXPECTS THAT THE EASING OF BUILDING-TO-LAND RATIOS AND DEREGULATION REGARDING THE INFORMATION AND COMMUNICATIONS AREA AS INCORPORATED IN THE PACKAGE WOULD PAVE THE WAY FOR NEW MARKET ENTRANTS, RESULTING IN BRISK ECONOMIC ACTIVITY.

HOWEVER, DEPUTY TREASURY SECRETARY SUMMERS ON THE 17TH CALLED ON FINANCE MINISTER HIROSHI MITSUZUKA AND DEPUTY CHIEF CABINET MINISTER FUKUSHIRO NUKAGA SEPARATELY AND EXPRESSED U.S. EXPECTATIONS ABOUT JAPAN'S ECONOMIC MEASURES, INCLUDING FISCAL DISBURSEMENTS, BY SAYING, "WOULD A SHARP POLICY TURNABOUT BE POSSIBLE?" HE STATEMENT WAS IN PURSUIT OF MEASURES THAT WOULD DIRECTLY LEAD TO AN INCREASE IN CONSUMPTION. IN THE LIBERAL DEMOCRATIC PARTY (LDP), TOO, MEMBERS WHO OPPOSE THE CURRENT PARTY EXECUTIVE, SUCH AS FORMER CONSTRUCTION MINISTER SHIZUKA KAMEI, ARE TURNING UP THE VOLUME IN THEIR CALLS FOR FISCAL DISBURSEMENTS.

HASHIMOTO: STATEMENT ABOUT INJECTING PUBLIC FUNDS TO RESOLVE AID LOAN PROBLEM MISUNDERSTOOD

(TOKYO SHIMBUN - PGE 1)

PRIME MINISTER RYUTARO HASHIMOTO LAST NIGH DENIED A STATEMENT HE MADE IN THE DAYTIME, WHIC WAS TAKEN AS HINTING THAT HE WAS CONSIDERING PORING PUBLIC FUNDS INTO BAILING OUT PRIVATE-SECTO BANKING INSTITUTIONS FROM THEIR BAD DEBTS. HE CAIMED: "I HAVE NOT MENTIONED EVEN ONCE THE INVESING OF PUBLIC FUNDS. DON'T MISUNDERSTAND WHAT I SAID." HE WENT ON, "BEING AWARE OF THE SITUATION IN WHICH THE HOKKAIDO TAKUSHOKU BANK IS NOW PLACED, I JOINED IN A CABINET MINISTERS MEETING FOR ECONOMIC STIMULUS MEASURES. WHY DID THIS LEAD TO (POURING PUBLIC FUNDS)?"

THESE ARE ANSWERS BY THE PRIME MINISTER TO QUESTIONS BY THE PRESS CORPS AT THE PRIME MINISTER'S OFFICIAL RESIDENCE.

IN THE DAYTIME OF THE SAME DAY, THE PRIME MINISTER, ASKED BY REPORTERS ABOUT WHETHER TO SINK PUBLIC FUNDS, STATED: "WHILE TAKING SUCH A POSSIBILITY IN MIND, I AM GOING TO ATTEND (A MEETING OF THE GOVERNMENT'S CONFERENCE OF CABINET MINISTERS ON ECONOMIC STIMULUS MEASURES)."

WTO SETS UP 3RD PANEL TO SETTLE ANOTHER U.S.-JAPAN TRADE DISPUTE: FARM PRODUCTS QUARANTINE (NIHON KEIZAI - PAGE 7)

(GENEVA, NOVEMBER 18, SEIICHIRO MISHINA) THE WORLD TRADE ORGANIZATION (WTO) IN A MEETING OF ITS DISPUTE SETTLEMENT INSTITUTION ON THE 18TH DECIDED TO SET UP A DISPUTE-SETTLEMENT SUBCOMMITTEE (PANEL) TO EXAMINE THE JAPANESE QUARANTINE SYSTEM FOR AGRICULTURAL PRODUCTS, BASED ON AN APPEAL BY THE UNITED STATES. THE U.S. HAS COMPLAINED THE JAPANESE QUARANTINE SYSTEM REQUIRING A TEST FOR EACH AGRICULTURAL ITEM AS AN IMPROPER NON-TARIFF TRADE BARRIER, CALLING FOR SIMPLIFYING IT. THIS IS THE THIRD CASE IN WHICH A PANEL WAS SET UP IN THE WTO IN RESPONSE TO THE OTHER SIDE'S COMPLAINT AGAINST JAPAN IN TRADE DISPUTES, THE FIRST TWO BEING LIQUOR TAX DIFFERENTIALS AND THE PHOTOFILM MARKET.

TAINTED OIL DEALER IZUI TO TESTIFY AT DIET ON 28TH;
OBUCHI SAYS HE TOOK 5 MILLION YEN FROM UZUI
UNCLAS SECTION 09 OF 10 TOKYO 010045

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 NOVEMBER 19

(MAINICHI - PAGE 2)

IN A LOWER HOUSE BUDGET COMMITTEE DIRECTORS MEETING YESTERDAY, VARIOUS PARTIES REACHED A CONSENSUS TO SUMMON JUNICHI IZUI, OWNER OF IZUI SEKIYU SHOKAI CO., NOW UNDER PUBLIC TRIAL OVER TAX EVASION AND OTHER CHARGES, TO THE DIET ON THE 28TH AS A SWORN WITNESS. A FORMAL DECISION WILL BE MADE AT ITS MEETING TODAY. AT A PRESS CONFERENCE ON SEPTEMBER 8, IZUI REVEALED THAT HE HAD HANDED MORE THAN 200 MILLION YEN IN PRESIDENTIAL ELECTION FUNDS TO LIBERAL DEMOCRATIC PARTY (LDP) POLICY AFFAIRS RESEARCH COUNCIL CHAIRMAN TAKU YAMASAKI OF THE FORMER WATANABE FACTION. IN ADDITION, IZUI'S LIST INCLUDED SUCH NAMES AS FOREIGN MINISTER KEIZO OBUCHI AND LDP EXECUTIVE COUNCIL CHAIRMAN YOSHIRO MORI AS MAJOR RECIPIENTS. IN IZUI'S DIET TESTIMONY, ATTENTION IS EXPECTED TO BE FOCUSED ON THE CLARIFICATION OF THE FLOW OF FUNDS INVOLVING YAMASAKI AND OTHERS. THE OPPOSITION CAMP IS POISED TO ELICIT DETAILED INFORMATION ABOUT DONATIONS FROM IZUI IN AN EFFORT TO DRAG YAMASAKI OUT TO THE DIET STAND.
(KATSUYOSHI KIYOMIYA)

-- FOREIGN MINISTER OBUCHI REVEALS THAT HE RECEIVED 5 MILLION YEN IN POLITICAL DONATIONS FROM IZUI

IN AN UPPER HOUSE BUDGET COMMITTEE MEETING YESTERDAY, FOREIGN MINISTER KEIZO OBUCHI REMARKED ABOUT POLITICAL DONATIONS FROM JUNICHI IZUI: "I RECEIVED A TOTAL OF 5 MILLION YEN OVER THE FOUR YEARS FROM 1992 TO 1995." THE FOREIGN MINISTER ADDED: "THE MONEY HAS BEEN HANDLED PROPERLY IN ACCORDANCE WITH THE POLITICAL FUND CONTROL LAW. THERE WERE NO OTHER DONATIONS FROM HIM."

FOREIGN MINISTER OBUCHI TO RUSSIA NEXT FEBRUARY
(MAINICHI - PAGE 2)

THE RUSSIAN FOREIGN MINISTRY REVEALED YESTERDAY THAT FOREIGN MINISTER KEIZO OBUCHI IS SCHEDULED TO VISIT MOSCOW NEXT FEBRUARY. DURING HIS RUSSIA TOUR, FOREIGN MINISTER OBUCHI WILL HOLD A SESSION WITH FOREIGN MINISTER PRIMAKOV TO CONTINUE WORKING TO PAVE THE WAY FOR CONCLUDING A BILATERAL PEACE TREATY BASED ON WHAT WAS AGREED UPON AT THE INFORMAL JAPAN-RUSSIA SUMMIT MEETING IN KRASNOYARSK. (RYUSUKE TAKAHASHI, MOSCOW)

U.S., JAPAN FAIL TO REACH AGREEMENT ON TREATMENT OF USFJ LANDMINES UNDER NEW APL TREATY (MAINICHI - PAGE 2)

A MEETING OF FOREIGN AFFAIRS AND DEFENSE OFFICIALS FROM JAPAN AND THE UNITED STATES TO DISCUSS THE TREATY BANNING ANTI-PERSONNEL MINES HAS FAILED TO REACH AN AGREEMENT ON THE HANDLING OF LAND MINES POSSESSED BY THE U.S. FORCES IN JAPAN (USFJ). A CONCLUSION IS NOT LIKELY TO BE REACHED UNTIL AFTER THE JAPANESE GOVERNMENT SIGNS THE TREATY. WITH THE USE OF LAND MINES IN EMERGENCIES AND OTHER RELATED ISSUES STILL UNSETTLED, THE GOVERNMENT INTENDS TO ADDRESS SUCH BEFORE IT RATIFIES THE PACT.

IN THE SECOND ROUND OF TALKS WITH THE U.S. AFTER JAPAN DECIDED TO SIGN THE TREATY, THE JAPAN SIDE REITERATED ITS POLICY INTENTION OF ALLOWING LAND MINES POSSESSION BY THE USFJ. NEVERTHELESS, JAPAN WITHHELD ITS STANCE TOWARD A U.S. CALL SEEKING JAPAN'S UNDERSTANDING TOWARD THE USE OF LAND MINES IN EMERGENCIES. THE TWO SIDES ALSO FAILED TO REACH CONSENSUS ON JAPAN'S COOPERATION ON THE NAVAL TRANSPORT OF SUCH MINES.

FORMER CHIEF CABINET SECRETARY KAJIYAMA STILL INVOLVED IN OKINAWA AFFAIRS (NIHON KEIZAI - PAGE 2)

PRIME MINISTER HASHIMOTO WILL ATTEND A CEREMONY IN COMMEMORATION OF THE 25TH ANNIVERSARY OF OKINAWA'S UNCLAS SECTION 10 OF 10 TOKYO 010045

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 NOVEMBER 19

REVERSION TO JAPAN ON THE 21ST, THE DAY AFTER THE ADMINISTRATIVE REFORM PANEL'S SESSION OF INTENSIVE DISCUSSIONS. WITH NAGO CITY BEING SCHEDULED TO HOLD ITS CITIZENS' VOTING NEXT MONTH ON THE PROPRIETY OF CONSTRUCTING A HELIPORT (IN WATERS OFF CAMP SCHWAB LOCATED IN THE CITY AS AN ALTERNATIVE FACILITY TO REPLACE THE U.S. FORCES' FUTENMA AIRFIELD), THE PRIME MINISTER AND HIS OFFICIAL RESIDENCE STAFF STILL DEPEND ON FORMER CHIEF CABINET SECRETARY KAJIYAMA. IN HIS ROOM IN THE DIETMEMBERS' OFFICE BUILDING, KAJIYAMA HAS BEEN OFTEN VISITED BY CHIEF CABINET SECRETARY MURAOKA AND DEPUTY CHIEF CABINET SECRETARY FURUKAWA FOR HIS ADVICE. KAJIYAMA VISITED OKINAWA TWICE AFTER HIS RESIGNATION FROM OFFICE AS CHIEF CABINET SECRETARY, EACH TIME ACCOMPANIED BY GOVERNMENT OFFICIALS, INCLUDING SOME FROM THE JAPAN DEFENSE AGENCY. IN HIS MEETING WITH THE MAYOR OF NAGO CITY AND OTHERS ON THE 13TH, KAJIYAMA, REFERRING TO THE METHOD OF CONSTRUCTING THE HELIPORT, REMARKED: "RECLAMATION (STRONGLY DESIRED BY THE LOCAL COMMUNITY) IS ALSO POSSIBLE." HIS REMARK ENLIVENED THE LOCALS IN FAVOR OF THE PLANNED HELIPORT CONSTRUCTION. ALL THE MORE BECAUSE THOSE IN OPPOSITION TO THE HELIPORT CONSTRUCTION ARE APPARENTLY HOLDING THE EDGE OVER THOSE IN FAVOR OF IT IN THE INHABITANTS' VOTING, THE PRIME MINISTER'S STAFF ARE ATTACHING THEIR EXPECTATIONS ON KAJIYAMA, ONE OF THEM SAYING: "WE WANT TO FIND A WAY OUT OF THE SITUATION BY MR. KAJIYAMA'S REMARKS." KAJIYAMA WILL FLY TO OKINAWA

WITH THE PRIME MINISTER ON A SPECIAL PLANE ON THE DAY WHEN THE CEREMONY WILL BE HELD THERE, AND THE TWO MAY HAMMER OUT A DRAFT SPEECH FOR THE CEREMONY UNTIL THEY ARRIVE THERE. KAJIYAMA HAS NOW LEFT HIS OFFICE AT THE PRIME MINISTER'S OFFICIAL RESIDENCE, BUT THE PRIME MINISTER AND HIS STAFF ARE STILL TURNING TO KAJIYAMA FOR HELP. CRANE

SECT: SECTION: 01 OF 10

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